

Memorandum

To: New Zealand Accounting Standards Board (**NZASB**)

Meeting date: 12 October 2026

Subject: **Accounting Standards Framework review – Tier 1 and Tier 2 not-for-profit public benefit entities reporting framework review**

Date: 1 October 2026

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☒ **Action Required**

☐ **For Information Purposes Only**

Purpose

1. This paper assesses the current Tier 1 and Tier 2 not-for-profit public benefit entities (**NFP**) reporting framework as part of the Accounting Standards Framework (**ASF**) review. It focuses on entities required to apply Tier 1 and Tier 2 NFP reporting requirements. The analysis is intended to support the Board in determining which framework options and related questions should be included in the public discussion paper for stakeholder feedback. It does not identify a preferred option or propose that the current framework be retained or replaced.
2. This paper considers how the current Tier 1 and Tier 2 NFP reporting framework operates and compares it with selected alternative reporting framework options. It identifies key differences, trade-offs and practical implications for mandated Tier 1 and Tier 2 NFP entities and assesses whether the current framework remains suitable for this population against the objectives of the ASF.
3. The analysis applies the broader ASF review methodology to the Tier 1 and Tier 2 NFP population and should be read alongside the [PBE sector overview paper](#), which addresses matters relevant across public benefit entities.

Recommendations

4. We recommend the Board:
 - (a) **NOTE** the analysis of the current Tier 1 and Tier 2 NFP reporting framework;
 - (b) **NOTE** the key differences, trade-offs and practical implications of the reporting framework options considered;
 - (c) Provide **FEEDBACK** on whether the analysis appropriately reflects the characteristics, reporting needs and public accountability considerations relevant to Tier 1 and Tier 2 NFP to inform the next stage of the ASF review and public discussion paper; and
 - (d) Provide **FEEDBACK** on the proposed information and questions for stakeholders to be included in the public discussion paper on this topic (outlined in [blue text](#)).

Scope and how to read this paper

5. This paper focuses on NFP entities that are required to apply the Tier 1 or Tier 2 reporting requirements under the ASF.
6. Unless otherwise stated, references in this paper to **Tier 1 or Tier 2 NFP** mean Tier 1 and Tier 2 not-for-profit public benefit entities that are required to prepare generally accepted accounting practice (GAAP)-compliant financial statements by legislation.
7. This paper does not consider broader questions relating to legislative reporting thresholds or the criteria used to allocate entities to tiers. If stakeholder feedback from this review indicates concerns about which NFP entities are required to prepare GAAP-compliant financial statements, or about the legislative thresholds used to determine reporting obligations, that feedback will be provided to other parties (MBIE) for their consideration on the relevant legislative policy settings.
8. Unless otherwise stated, this paper focuses on mandated Tier 1 and Tier 2 NFP entities and excludes entities that voluntarily opt to apply Tier 1 or Tier 2 reporting requirements. We note that Tier 2 NFPs who do not consider the reporting requirements to be suitable for their user needs can report under the Tier 1 NFP reporting requirements. Such an election will remain in any potential ASF structure.
9. This paper assesses reporting framework options and their suitability for mandated Tier 1 and Tier 2 NFP entities. It does not assess detailed amendments to individual accounting standards or propose changes to specific recognition, measurement, presentation or disclosure requirements. Any such changes would be considered separately and would be subject to public consultation before the NZASB considered amendments to the existing framework.
10. This paper should be read together with the [PBE sector overview paper](#), which provides the common context for the public benefit entities (PBEs) reporting framework, including the development of the current framework, International Public Sector Accounting Standards (IPSAS) convergence into Public Benefit Entity International Public Sector Accounting Standards (PBE Standards), and the ASF common assessment criteria used to analyse each viable reporting framework option. Additionally, the papers on [IPSAS adoption around the world](#), [Alignment between IPSAS and IFRS](#) and [Reporting Requirements in Australia for public sector and private NFP entities](#), may also provide useful context for the Tier 1 and Tier 2 NFP framework options considered.
11. This paper does not repeat that common context in the PBE overview paper. Instead, it applies that context to the mandated Tier 1 and Tier 2 NFP population. For this assessment, the relevant starting point is the current Tier 1 and Tier 2 NFP IPSASB-based reporting framework in New Zealand.

Content

Section in the tier papers	Purpose of the section
Background and context for Tier 1 and Tier 2 NFP entities	Provides background on the current Tier 1 and Tier 2 NFP reporting framework, including its development, objectives, operating environment, and matters identified through previous review work.
Legislative and regulatory environment	Explains the legislative and regulatory settings that determine which entities prepare GAAP-compliant financial statements, regulatory environment and sector and tier allocation.
Characteristics of Tier 1 and Tier 2 NFP entities	Describes the nature, scale and diversity of entities within the relevant tier, including features that may affect the framework assessment.

<u>Information needs of users and preparer considerations</u>	Considers the information needs of users and the practical, audit and cost considerations for preparers applying the framework
<u>International practice, alignment and comparability considerations</u>	Considers international reporting approaches for NFP entities and the extent to which international alignment, comparability and trans-Tasman consistency are relevant considerations for New Zealand NFPs.
<u>Practical challenges with the current Tier 1 and Tier 2 NFP framework</u>	Explains how the current framework operates in practice, including identified main challenges and implementation issues.
<u>Reporting framework options considered</u>	Identifies the framework options considered for the relevant tier, including the current framework and alternative options within the scope of the tier paper.
<u>Optionality and framework coherence considerations within Tier 1 and Tier 2 NFP</u>	Considers whether the framework options support flexibility while maintaining coherence, comparability, understandability and operability across the tier and wider not-for-profit framework.
<u>Analysis of framework options</u>	Assesses each framework option using the common framework-level criteria and identifies the key benefits, limitations and implications of each option.
<u>Summary observations and framework options for consultation</u>	Summarises the overall assessment and identifies the framework option or options to be presented for consideration in the public discussion paper.
<u>Appendix Contents</u>	<u>Papers to be included in the Discussion Paper:</u> Factsheet on frameworks considered, Information about a locally modified standards approach, and detailed assessments of each Tier 1 and Tier 2 NFP reporting framework option against the framework-level evaluation criteria <u>Papers not to be included in the Discussion Paper:</u> High-level financial and operational profile of Tier 1 and Tier 2 registered charities and examples of international approaches to setting NFP reporting standards and guidance.

Background and context for Tier 1 and Tier 2 NFP entities

Current Tier 1 and Tier 2 NFP reporting framework

12. Parliament, through legislation, determines which entities are required to prepare GAAP-compliant financial statements. Once that obligation exists, the XRB's ASF determines the applicable sector, reporting tier and accounting requirements.¹ The current tiered ASF moved away from the previous sector-neutral approach by establishing separate for-profit and PBE reporting frameworks, while retaining an IFRS-based framework for Tier 1 and Tier 2 for-profit entities. The PBE reporting framework was developed based on International Public Sector Accounting Standards (IPSAS) standards and modified for the NFP context where appropriate.
13. We note that neither IFRS nor IPSAS reporting requirements are specifically designed for NFP entities. However, at the time the ASF was developed, these were the only internationally credible frameworks which could be used as a base for NFP reporting requirements. When the ASF was developed, PBE

¹ This distinction underpinned the [2011 Review of the Financial Reporting Framework](#), which led to the establishment of the XRB and gave it responsibility for setting accounting and assurance standards for entities required by legislation to report. See the section [How the Tier 1 and Tier 2 NFP framework was developed](#) for more details.

standards based on IPSAS were considered to be the most suitable starting framework, compared to IFRS profit orientated requirements.²

14. [The 2011 Position Paper ASF: A Multi Standards Approach](#) concluded that IFRS was becoming increasingly unsuitable as a base for PBE reporting due to its primary focus on investors, lenders and creditors rather than resource providers and service recipients. The paper anticipated that the different user-focus will lead to an increasing divergence between IFRS and IPSAS over time. Consequently, IPSAS was identified as a more appropriate foundation for PBE Standards because of its greater emphasis on accountability for service delivery and reporting service potential. The paper also acknowledges that there were no international standards specifically designed for NFP entities and concluded that developing a separate suite of NFP standards from scratch would be uneconomic. Instead, IPSAS was considered the most suitable foundation for NFP reporting. The paper also noted that NFP-specific language, examples and modifications would need to be incorporated into IPSAS-based PBE Standards to reflect the sector's circumstances and reporting needs.
15. Under the current ASF, Tier 1 NFP entities apply **PBE Standards based on IPSAS**. Tier 2 NFP entities apply PBE Standards based on IPSAS with reduced disclosure requirements (**PBE Standards with RDR**) which include full PBE Standards' recognition, measurement and presentation requirements, but with reduced disclosure requirements as specified by the External Reporting Board (**XRB**).
16. As a result, Tier 2 NFP entities generally report the same accounting outcomes as Tier 1 NFP entities, with differences primarily relating to the volume and detail of disclosures within the financial statements.

Role of Tier 1 and Tier 2 NFP within the ASF

17. Within the ASF, Tier 1 requires application of the full suite of Tier 1 PBE Accounting standards for NFP entities which contains those entities with public accountability and those that are large PBEs. Tier 1 is the default reporting tier which applies to all NFP entities, unless they meet the requirements of, and elect to report in, other reporting tiers.
18. Tier 2 is the proportionate reporting tier for NFP entities that do not have public accountability and are larger PBEs (greater than \$5 million but less than \$33 million of expenses). Its role is to provide a framework for entities where the smaller size and absence of public accountability support the application of reduced reporting requirements, while still maintaining a basis for credible, comparable and useful general purpose financial reporting, given these entities are still economically significant to the New Zealand financial reporting ecosystem.
19. For Tier 1 and Tier 2 NFP comparable and useful information may assist resource providers and their representatives (such as donors, funders and grant providers) and service recipients and their representatives (such as members, beneficiaries and regulators) in making informed decisions about an entity's financial performance, financial position, stewardship of resources, accountability, compliance with funding arrangements. This information may also support decisions about providing resources to, or receiving services from, the entity. The general-purpose financial statements of these entities are written for this broad range of users.³
20. Sections [Characteristics of Tier 1 and Tier 2 NFP entities](#) and [Information needs of users and preparers](#) provide further context for the ASF review.

² XRB, [XRB A1 Application of the Accounting Standards Framework, BC34](#), records the Board's rationale for using IPSAS Standards as the primary basis for PBE Standards, including that IPSAS Standards are developed for users of PBE financial reports whereas IFRS Accounting Standards are primarily developed for capital-market users.

³ The [PBE Conceptual Framework](#) provides additional discussion of the users of general purpose financial reports and the information needs of service recipients and resource providers (see Chapter 2, Objectives and Users of General Purpose Financial Reports)

How the Tier 1 and Tier 2 NFP framework was developed

21. Following the [2011 Review of the Financial Reporting Framework](#) conducted by the Ministry of Economic Development, New Zealand's financial reporting regime was comprehensively reformed. The reforms established the External Reporting Board (XRB), replacing the Accounting Standards Review Board (ASRB), and gave it responsibility for setting accounting and assurance standards and determining the reporting requirements for different types of entities.⁴ While the review proposed a tiered reporting framework for not-for-profit entities and envisaged simple-format reporting for smaller entities, it did not prescribe a particular reporting framework for NFPs. Instead, decisions about the underlying accounting standards were delegated to the XRB as part of the subsequent standard-setting process.
22. The current Tier 1 and Tier 2 NFP reporting framework became effective in April 2015 following New Zealand's move from differential reporting to a tiered approach for entities required to prepare GAAP-compliant financial statements. As part of developing the framework, NFP-specific guidance and modifications were introduced in selected standards where they were considered necessary to address transactions and circumstances commonly encountered by New Zealand NFP entities.
23. For Tier 2 NFP entities, this also involved developing a proportionate reporting tier that retained the same recognition and measurement requirements, with reporting relief provided mainly through reduced disclosures. This was designed to provide concessions for NFP entities where the costs of preparing disclosures would outweigh the benefits to users from those disclosures. Maintaining the same recognition and measurement criteria as Tier 1 NFP entities, helps users of Tier 2 NFP understand and compare the financial statements with Tier 1 NFP financial statements and helps NFPs who may transition into Tiers 1 over time, as their level of service delivery increases.⁵
24. This history is relevant as the current design of the Tier 1 and Tier 2 NFP reporting framework provides the starting point for considering whether the current framework remains suitable for those entities.

Developments informing the NFP framework review

25. The PBE framework review is being considered as part of the broader ASF review to assess whether the New Zealand's tiered, multi-standard, sector-based accounting standards framework remains fit-for-purpose, internationally aligned and locally relevant, and continues to support high-quality decision-useful reporting in the public interest. The review seeks to assess whether there is a compelling case for changes in the PBE framework from the current requirements, to ensure it is appropriate for the future.
26. The reporting environment for Tier 1 and Tier 2 NFP entities has evolved since the PBE framework became effective for NFP entities in 2015. Key changes include:
 - Growth in the size, scale and complexity of some NFP entities, including entities with complex structures, cross-border operations or more complex transactions. The value of GDP recorded by non-profit institutions⁶ in the year ended March 2018 was \$8.10 billion, compared with \$6.23 billion in the March 2013 year (up 30 percent);
 - Increasing prevalence or significance of NFP entities operating through group structures, controlled entities or international networks, where consolidation, group reporting, interoperability and cross-border comparability may be relevant;

⁴ For more information the background and context of the ASF, refer to [Agenda Item 6.1a in the August 2026 Board pack](#).

⁵ [XRB A1, paragraph BC36](#) (incl. BC24) provides further insight into the rationale for adopting a Reduced Disclosure Requirements (RDR) approach for Tier 2 PBEs.

⁶ The population of non-profit institutions (NPIs) in the [Stats NZ 2018 satellite account](#) is defined for statistical purposes and includes a broader range of entities across different legal forms and activities than the NFP population within the ASF, which is determined by the PBE definition and applicable financial reporting requirements. Although the populations are therefore not fully aligned, the NPI population includes entities within the ASF's NFP population, and the reported increase provides an indication of growth in the wider sector in which those entities operate.

- Legislative changes affecting the NFP reporting environment, including the introduction of the Incorporated Societies Act 2022, which expanded the population of incorporated societies required to prepare GAAP-compliant financial statements;
 - New and amended IPSAS Accounting Standards, including significant changes and growing complexities in areas such as financial instruments, leases, revenue and transfer expenses, where those changes are developed primarily for public sector entities with public accountability and not NFP entities;
 - New international proportionality mechanisms (including IFRS 19 *Subsidiaries without Public Accountability: Disclosures* and revisions to IFRS for SMEs) which are reshaping thinking about proportionality mechanisms in reporting frameworks generally;
 - Different jurisdictional approaches to NFP reporting providing additional perspectives on the effective design of NFP reporting frameworks;
 - Publication of the [International Non-Profit Accounting Standard \(INPAS\)](#) in October 2025, based on IFRS for SMEs and designed specifically for the NFP sector; and
 - Technological developments, including advances in artificial intelligence (AI) and automation, which are reshaping financial reporting processes, information accessibility and stakeholder expectations.
27. For Tier 1 and Tier 2 NFP entities, the relevant matters considered in this paper include the diversity of the reporting population (with a large range of service delivery operations and objectives), the characteristics and information needs of users, the cost, complexity and operability of applying the current framework, the extent to which the reporting requirements remain proportionate to the size and capability of different NFPs, group reporting and interoperability considerations, and the framework's ability to operate effectively within New Zealand's reporting ecosystem.
28. It also considers the relevance of international comparability and trans-Tasman alignment for NFP entities. We recognise that these considerations are not significant for the majority of NFP entities that are funded in New Zealand and focused solely on service delivery objectives which benefit New Zealanders. However, we note that for a subset of Tier 1 and Tier 2 NFP entities with cross-border operations, funding sources, group structures or stakeholders, this may be an important consideration.

Matters identified through previous review work and stakeholder engagement

29. Previous review work, including the [2019 targeted review of the ASF](#), provides relevant context for considering the Tier 1 and Tier 2 NFP framework.
30. That work indicated that the ASF, including the Tier 1 and Tier 2 NFP reporting framework, was generally operating as intended and had not given rise to significant unintended consequences. While respondents generally supported continued alignment with IPSAS, many considered that local considerations should take precedence where necessary and supported a more flexible approach to the development of PBE Standards.
31. Feedback from the charities sector noted concerns that some aspects of PBE IPSAS may not be sufficiently tailored to the circumstances and reporting needs of New Zealand charities, although no specific examples were provided. Other feedback highlighted that differences in the timing of IPSAS and IFRS developments can create additional reporting effort for mixed groups that prepare both PBE and for-profit financial statements.
32. These matters do not, of themselves, indicate that changes to the Tier 1 and Tier 2 NFP framework are required. Rather, they identify challenges to be explored through the reporting framework assessment.

Legislative and regulatory environment

Legislative framework requiring GAAP-compliant financial reporting

33. As noted above, legislation determines which entities must prepare GAAP-compliant financial statements. Once that reporting obligation exists, the ASF determines the applicable sector, tier and reporting requirements.
34. The NFP sector operates within a broader legislative framework that reflects the diversity of legal structures used by NFP entities, including charities, incorporated societies, charitable trust boards, Post-Settlement Governance Entities (PSGEs), Post Treaty Settlement Entities (PTSEs) and charitable companies. Key legislation influences not only whether entities are required to prepare financial statements, but also governance arrangements, filing obligations, audit and review requirements, registration requirements and access to charitable tax concessions.
35. The table below summarises the principal legislation relevant to the NFP sector. It is **not intended to be an exhaustive list**, as other legislation may be relevant to particular types of entities or circumstances. For example, the Māori Community Development Act 1962, establishes Māori Associations (including Māori Committees, Māori Executive Committees, District Māori Councils and the New Zealand Māori Council), defines their powers and impose reporting obligations on those entities.

Key legislative instruments

Primary legislation	Legislative requirement	Relevant thresholds & definitions
Financial Reporting Act 2013 (FRA 2013)	- Establishes the core concepts that underpin New Zealand's financial reporting framework and empowers the XRB to issue accounting standards - FRA 2013 does not generally impose reporting obligations on NFP entities. Instead, it provides the statutory reporting frameworks used by other legislation.	'large' = assets over \$66m or revenue over \$33m (in preceding two accounting periods) (section 45); 'large overseas company' = assets over \$22m or revenue over \$11m (section 45); 'specified not-for-profit entity' = operating payments over \$140,000 (in preceding two accounting periods) (section 46)
Charities Act 2005	- Establishes the framework for the registration, regulation and monitoring of charities in New Zealand. It establishes the Charities Register, Charities Services and the Charities Registration Board. - Registered charities must file an annual return with Charities Services (sections 41 and 42A) unless exempt under section 42AC. - Financial statements of a <i>specified not-for-profit entity</i> (as defined by FRA 2013 above) must comply with GAAP. - A large registered charity must have its financial statements audited and medium-sized registered charity must have its financial statements either audited or reviewed (section 42C)	For the purpose of <u>audit or review</u> of registered charities (section 42D): 'large' = operating expenditure over \$1.1m (in preceding two accounting periods); 'medium-sized' = not large (as per above) and operating expenditure over \$550k (in preceding two accounting periods);

<u>Incorporated Societies Act 2022</u>	• Governs the incorporation, governance and administration of incorporated societies • An incorporated society must file an annual return with Company Register (sections 102) • Financial statements of a <i>specified not-for-profit entity</i> (as defined by FRA 2013 above) must comply with GAAP (sections 102). • Sets minimum requirements for financial statements of <i>small societies</i> (section 104)	• 'small society'= operating payments below \$50k (in preceding two accounting periods) and total current assets below \$50k (at preceding two balance dates) and not donee organisation under Tax Act 2007
<u>Charitable Trusts Act 1957</u>	• Provides for the incorporation and administration of charitable trust boards.	
<u>Companies Act 1993</u>	• Governs incorporation, legal personality, governance arrangements, directors' duties, amalgamations and liquidation of companies (relevant to NFPs that operates as charitable companies). • Specified company types must comply with GAAP: large companies (as defined in FRA 2013), public entities, large overseas companies (as defined in FRA 2013), and companies with 10 or more shareholders (unless opted out) or fewer than 10 (if opted in) (section 200-202)	
<u>Māori Trust Boards Act 1955</u>	• Establishes and governs specified Māori Trust Boards that administer assets and resources on behalf of iwi beneficiaries • Financial statements of a Māori Trust Board must comply with GAAP and must be audited (section 31)	
<u>Tax Act 2007</u>	• Establishes New Zealand's income tax framework, including tax exemptions for charities and other NFP organisations • Lists certain donee organisations (schedule 32)	

Regulatory and oversight environment

36. The NFP sector is supported by a regulatory and oversight framework. Key regulatory and oversight bodies include:
- **Charities Services (Department of Internal Affairs)** – administers the charities registration system, monitors compliance with the Charities Act 2005 and receives annual returns and financial statements from registered charities;
 - **Charities Registration Board (Te Rātā Atawhai)** – makes independent decisions on the registration and deregistration of charities;
 - **Companies Office (MBIE)** – maintains the registers for incorporated societies, charitable trust boards and companies and administers related filing requirements;
 - **Inland Revenue (IRD)** – administers charitable tax exemptions and the donee organisation regime, including determining eligibility for charitable tax concessions and donee status.

Tier 1 and Tier 2 NFP position in ASF

37. Under the current ASF, the Tier 1 and Tier 2 NFP reporting frameworks apply to entities that:
- are required to prepare GAAP-compliant financial statements;
 - are public benefit entities (PBEs), being entities whose primary objective is to provide goods or services for community or social benefit, and where any equity has been provided to support that objective rather than to provide a financial return to equity holders; and
 - are not public sector PBEs - i.e. PBEs that are not public entities as defined in the Public Audit Act 2001 ([Section 5](#)) which includes seven types of entities including the Crown, offices or parliament and parliamentary agencies, etc.
38. Tier 1 NFP entities comprise PBEs that have public accountability or are large PBEs (expenses greater than \$33 million). Tier 2 NFP entities comprise PBEs that do not have public accountability and are 'medium-sized' (expenses between \$5 million and \$33 million). The [Definition of public accountability paper](#) explains the public accountability concept in more detail. As contextual background, we note that the vast majority of NFP entities in the current Tier 1 and Tier 2 are meeting the size thresholds, rather than meeting the public accountability definition and the reporting frameworks for Tier 1 and Tier 2 reflect reporting requirements for NFP entities who have larger scale operations (with larger expense outflows).
39. This paper does not assess the current sector classification, public accountability criteria or tier allocation thresholds within the ASF, these elements are considered separately as part of this ASF review. Rather, this paper considers how alternative reporting framework options would operate for entities that are currently within the Tier 1 and Tier 2 NFP reporting population.

Implications for Tier 1 and Tier 2 NFP framework assessment

40. The framework assessment considers how alternative reporting framework options would operate for NFP entities that are already required to prepare GAAP-compliant financial statements. It does not consider which entities should be required by legislation to prepare financial statements or legislative reporting thresholds.
41. These legislative and regulatory settings provide important context for the framework assessment because Tier 1 and Tier 2 NFP entities operate in a diverse environment as described in the section below. Many entities are also subject to additional accountability requirements arising from charity registration, funding agreements, tax concessions, audit and review requirements, or sector-specific regulation. These requirements are outside the XRB's mandate to change but remain relevant context for the framework assessment. Mandatory financial reporting forms part of a broader legislatively required accountability framework⁷ through which NFP entities demonstrate stewardship of donated, granted and other resources entrusted to them for public benefit purposes to a broad set of users and is not part of the ASF review.
42. The implications for users, preparers and the wider reporting ecosystem are considered in later sections.

Characteristics of Tier 1 and Tier 2 NFP entities

Common characteristics of Tier 1 and Tier 2 NFP entities

43. As explained in the section [Tier 1 and Tier 2 NFP position in ASF](#), Tier 1 and Tier 2 NFP entities are PBEs that are not public sector PBEs and are required to prepare GAAP-compliant financial statements under legislation. The population includes a wide range of entities with different legal forms, purposes,

⁷ The [2011 Review of the Financial Reporting Framework](#) notes that Parliament determines which entities must prepare financial statements, while the XRB sets the standards for those entities.

operating models, sources of funding, activities, internal reporting capabilities and levels of reliance on volunteers. It includes large registered charities, incorporated societies, charitable trust boards, Post-Settlement Governance Entities (PSGEs), Post Treaty Settlement Entities (PTSEs), charitable companies, religious trusts, Māori NFP entities, education, health and social service providers, sporting and recreation organisations, professional and industry associations, and other entities established to deliver public benefit objectives.

44. We acknowledge there is no centralised register containing information on the population size, composition, and activities for all types of NFP entities, and there is a fundamental limitation that complete data on all Tier 1 and Tier 2 NFP entities is not available. Given the wide range of legal forms that NFP entities can take and the diverse nature of their service delivery activities, combined with differing assurance requirements based on the legal form of the entity, there is no reliable, consolidated view of the NFP sector in New Zealand (like there is with the Public Sector). We have looked for external evidence and research on the characteristics of subsets of Tier 1 and Tier 2 NFP entities (like Charities Services register for Charities and MBIE's register for incorporated societies) where available but acknowledge that the considerations made may not work for all Tier 1 and Tier 2 NFP entities.
45. Tier 1 and Tier 2 NFP entities are economically significant organisations that control substantial resources and play an important role in delivering social, cultural, health, education and community services across New Zealand.⁸ Although they represent only a small proportion of the overall NFP population by number, they are often significant organisations within their communities or sectors and are accountable for the stewardship of substantial donated, granted and other resources entrusted to them.
46. The charities sector itself employs over 105,000 full-time staff, representing around 4% of the national workforce with 170,000 charities volunteers contributing approximately 1.4 million hours of their time each week.⁹ While these figures include charities across all reporting tiers, it is reasonable to assume that a significant proportion of these employees and volunteers are associated with Tier 1 and Tier 2 entities, given the scale of their operations.
47. The population is diverse in scale and organisational complexity. It includes entities delivering services within a particular community as well as large organisations operating across multiple locations, activities or group structures. Entities may be funded through different combinations of donations, grants, government contracts, membership fees, trading activities, borrowing and other arrangements. Their transactions, governance structures, financial resources and reporting capability may therefore vary considerably. The different sources of funding may also result in different levels of accountability and user needs.
48. Some Tier 1 and Tier 2 NFP may also operate branches, subsidiaries or controlled entities that undertake activities like those of for-profit organisations, such as retail operations, property management, commercial services or investment activities. Although these activities may be done to generate profits, they are generally undertaken to support the entity's public benefit objectives rather than to provide a financial return to equity holders.
49. As a result, the existence of commercial activities does not necessarily mean that an entity ceases to be an NFP. Instead, classification depends on the entity's primary objective and whether any equity has

⁸ The JBWere and University of Waikato 2026 report *Economic Value of the For-Purpose Sector in Aotearoa New Zealand* estimates that the broader for-purpose sector directly contributes \$19.1 billion to New Zealand's GDP and employs approximately 231,000 paid workers, representing about 8% of New Zealand's employed workforce. Including the estimated value of volunteer labour, the sector's contribution increases to \$25.8 billion, equivalent to 5.7% of GDP. However, the report covers approximately 119,449 for-purpose organisations, including NFP entities, public sector PBEs and for-purpose for-profit entities (e.g. B-companies). Accordingly, these estimates provide broader "for-purpose" sector context and should not be interpreted as measures specific to Tier 1 and Tier 2 NFP entities.

⁹ [Charities-Sector-Snapshot-2024_2025](#) provides a high-level overview of New Zealand's charitable sector for the 2024/2025 period.

been provided to support public benefit objectives rather than to generate returns for investors. We note this distinction may be difficult for certain entities to evaluate when the equity provided is for multiple purposes and public benefit objectives and financial objectives cannot be distinguished or clearly determined.

50. The implications of this diversity for stakeholder information needs and entities' financial reporting capability are discussed in the section [Information needs of users and preparers](#) below, while the effects of complexity, workforce capability and implementation effort are discussed in section [Practical challenges with the current Tier 1 and Tier 2 NFP framework](#).
51. Although Tier 1 and Tier 2 NFP entities share these broad characteristics, they differ significantly in scale, economic significance, organisational complexity, reporting capability and the relative importance of different user needs. These differences are relevant when assessing the suitability of alternative reporting framework options.

NFP Tier	ASF thresholds	Standards	Population
Tier 1	- Has public accountability as defined in XRB A1; or - Is large NFP with total expenses > \$33 million (as defined in XRB A1); or - Is eligible to report in accordance with the accounting requirements of another tier but does not elect to report in accordance with that other tier.	PBE Standards	~112 organisations and ~40 groups registered as charities¹⁰ ~18 incorporated societies¹¹
Tier 2	- Has no public accountability; and - Has total expenses ≤ \$33 million but > \$5 million (not 'large' as per XRB A1)	PBE Standards RDR	~633 organisations and ~97 groups registered as charities² ~263 incorporated societies³

52. This paper focuses on mandated Tier 1 and Tier 2 NFP entities and does not consider entities that voluntarily opt to apply Tier 1 or Tier 2 reporting requirements. All entities within the NFP sector can choose to report in a higher reporting Tier if they consider it appropriate for their users, even where the framework is not specifically designed for their current size and operations.

Characteristics of Tier 1 NFP entities

53. Tier 1 NFP entities are PBEs with public accountability or entities that are considered large under the ASF because they have annual expenses greater than \$33 million. The [Definition of public accountability paper](#) explains the public accountability concept in more detail¹². Although Tier 1 includes entities with public accountability, we note that public accountability is a less prominent characteristic of Tier 1 NFP

¹⁰ The 'NFPs – registered charities' information was obtained from Charities.govt.nz in August 2026. The data includes controlled charities, meaning some organisations may be counted twice: once as an individual charity and again as part of a group.

¹¹ The incorporated society information was obtained from MBIE in June 2023. We assume that all of Tier 1 and Tier 2 incorporate societies re-registered and continue to exist.

¹² The term "public accountability" is used differently from the way normally used in the public sector and not-for-profit sector. While entities in the public sector and not-for-profit sector are generally considered to be publicly accountable, it does not mean that all entities in those sectors have public accountability. The definition of public accountability has a particular technical meaning and is narrower than the generic term publicly accountable as it is commonly used.

entities than it is in the for-profit sector. Most Tier 1 NFP entities are included in Tier 1 because of their size rather than because they meet the XRB A1 definition of public accountability.

54. Based on information from the Charities Register, approximately 112 registered organisations fall within Tier 1, representing only around 0.4% of registered charities. However, these entities account for approximately 57.7% of total expenditure and 43.2% of total assets held across the registered charity sector¹³. For illustration, the Tier 1 registered charity with the largest asset base reported total assets of \$5.4 billion, while the median Tier 1 registered charity reported total assets of \$90.8 million. Similarly, the Tier 1 registered charity with the highest reported income recorded total income of \$2.2 billion, while the median Tier 1 registered charity reported total income of \$68.1 million. These figures illustrate that Tier 1 entities generally control significant resources and undertake substantial levels of activity.¹⁴
55. Tier 1 NFP entities are typically economically significant organisations that control substantial resources and often operate across multiple locations, programmes or service streams. They frequently receive significant governmental funding, philanthropic funding or donations and may manage large pools of assets held for public benefit purposes. Their activities often attract heightened public scrutiny and accountability expectations because of their size, visibility and reliance on resources provided by others.
56. Tier 1 entities also typically have greater access to internal finance expertise, governance resources and external professional support. While implementation of accounting requirements may still be complex and resource-intensive, these entities are generally better positioned to maintain systems, controls and specialist capability needed to apply comprehensive reporting requirements and have the resources available to dedicate to their accountability and financial reporting function. This does not mean all Tier 1 entities are alike; some organisations may have complex transactions, significant investment portfolios or international operations, while others may have less complex activities despite their size.

Characteristics of Tier 2 NFP entities

57. Tier 2 NFP entities are PBEs without public accountability that have annual expenses between \$5 million and \$33 million. Based on information from the Charities Register, approximately 633 registered organisations fall within Tier 2, representing only around 2.3% of registered charities. However, these entities account for approximately 22.7% of total expenditure and 25.0% of total assets held across the registered charity sector¹⁵. For illustration, the Tier 2 registered charity with the largest asset base reported total assets of \$1.1 billion, while the median Tier 2 registered charity reported total assets of \$15.5 million. Similarly, the Tier 2 registered charity with the highest reported income recorded total income of \$158.1 million (with \$15 million total expenses), while the median Tier 2 registered charity reported total income of \$10.6 million. These figures again illustrate that Tier 2 entities generally control significant resources and undertake substantial levels of activity.¹⁶
58. Tier 2 entities play an important role in delivering public benefit services and are often significant organisations within their communities or sectors. However, they generally operate on a smaller scale than Tier 1 entities and may have less complex organisational structures, fewer specialised functions and more limited financial and operational resources. Some Tier 2 entities may transition into Tier 1 entities as they continue to increase their service delivery over time.

¹³ The percentages were calculated based on data excluding controlled charities as obtained from Charities.govt.nz in August 2026.

¹⁴ Based on data excluding controlled charities as obtained from Charities.govt.nz in August 2026 as such reflect registered charities' 2025 financial data.

¹⁵ The percentages were calculated based on data excluding controlled charities as obtained from Charities.govt.nz in August 2026.

¹⁶ Based on data excluding controlled charities as obtained from Charities.govt.nz in August 2026 as such reflect registered charities' 2025 financial data. Has been cross-checked against the annual reports of the relevant entities.

59. Compared with Tier 1 entities, many Tier 2 entities are more likely to rely on small finance teams, part-time accounting staff, volunteers or external advisers, due to the lower available resources.¹⁷ Consequently, preparer capability and reporting infrastructure can vary significantly across the Tier 2 population. Some Tier 2 entities may have sophisticated governance arrangements and dedicated finance functions, while others may face greater challenges implementing and maintaining complex accounting requirements.
60. We note that for some NFPs, the level of expenses and assets may not correlate with each other, and some NFPs may have very low expenses while simultaneously controlling a large value of assets (or vice versa). As such, the characteristics of some NFPs' assets may differ significantly, even if the characteristics of their expenses are similar. Under the current ASF, only the level of expenses determines the reporting tier of an NFP. Considerations around the tiers and thresholds within the NFP sector will be considered in a future paper.

Information needs of users and preparers

Users of Tier 1 and Tier 2 NFP financial statements

61. The [PBE Conceptual Framework](#) identifies service recipients and resource providers, and their representatives, as the primary users of public benefit entity general purpose financial reports. For Tier 1 and Tier 2 NFP entities, this includes government funders, donors, grant providers, lenders, members, beneficiaries and communities served by the entity. These users rely on financial and service performance information to assess accountability and support resource allocation decisions.
62. Tier 1 and Tier 2 NFP entities play an important role in delivering social, cultural, health, education and community services across New Zealand. Although they represent only a small proportion of the overall not-for-profit population (by quantity), they control significant resources and are often responsible for delivering services that are important to communities, government objectives and public well-being. Their financial statements therefore support accountability for the stewardship of substantial donated, granted and entrusted resources.
63. Tier 1 and Tier 2 NFP entities generally have a broader and more diverse user base than many for-profit entities. Users may include government agencies, philanthropic trusts and foundations, donors, members, lenders, beneficiaries, governing bodies, regulators, researchers, media¹⁸ and public-interest groups. These users may have different objectives, levels of financial literacy and access to alternative sources of information, but may all be interested in financial statement information to understand how the NFP entity is using its publicly provided resources.
64. Tier 1 and Tier 2 NFP entities may have different users or mix of users, but their information needs are unlikely to differ substantially. Both Tier 1 and Tier 2 entities are accountable to a broad range of stakeholders, including government agencies, funders, donors, members, lenders, beneficiaries and regulators and are likely to need similar information to help with their decision-making and holding Tier 1 and Tier 2 NFP entities to account.
65. Tier 1 NFP entities are often organisations with a large scale of service delivery activities, significant government funding, borrowing arrangements, group structures or public visibility. Their users may include sophisticated stakeholders such as government agencies, large institutional funders, regulators and lenders who can analyse complex financial information. Tier 2 entities also receive government funding and service delivery grants; however, their service delivery activities are at a smaller scale, and

¹⁷ Based on information from the Charities Register, Tier 2 registered charities have, on average, around one-tenth of the number of employees of Tier 1 registered charities. Has been cross-checked against the annual reports of the relevant entities.

¹⁸ For example, the NZ Herald article "[New Zealand's highest paid charity bosses gain pay rises](#)" reviewed remuneration disclosures from a number of large charities to compare executive remuneration across the sector.

donations generally represent a larger proportion of their income than they do for Tier 1 entities. Tier 2 users may more commonly include local funders, donors, members, volunteers and community stakeholders who may place greater emphasis on understandable reporting, stewardship of resources and service delivery outcomes.

66. Different users may focus on different aspects of reported information depending on their relationship with the entity and the decisions they are making:
- Government agencies, major funders and regulators may focus on financial resilience, stewardship of funding, compliance with funding conditions and the entity's ability to continue delivering services.
 - Donors, members and supporters may focus on how resources have been used to achieve the entity's mission and deliver public benefit.
 - Beneficiaries and communities may be interested in the continuity and effectiveness of service delivery.
 - Lenders and other creditors may focus on financial position, liquidity, cash flows and the capacity of the entity to meet its obligations.
67. Unlike for-profit entities, many NFP entities do not have shareholders or equivalent owners who can demand information. We note that Tier 1 and Tier 2 NFP entities are typically governed by boards that provide oversight of management and are an important mechanism for accountability. However, governance arrangements for NFP entities also vary significantly with many NFP entities balancing limited budgets with frontline delivery and generally have boards with 6 to 10 members, and typically fewer independent or paid board members.¹⁹
68. Legislative reporting requirements and publicly available financial statements therefore provide an important mechanism for transparency, accountability and public confidence for these entities users on their operations during the year. This may be particularly relevant for larger Tier 1 and Tier 2 NFP entities that receive significant donations, government funding or tax concessions, and where stakeholders rely on publicly available information to assess how resources have been used.
69. Stakeholder feedback through the discussion paper and targeted outreach will be important in testing whether these identified user needs remain consistent with current practice. Feedback from funders, donors, lenders, beneficiaries, regulators and other users will help identify which information is most useful for assessing accountability, stewardship, financial sustainability and service delivery performance.

Preparers and operational considerations

70. Tier 1 and Tier 2 NFP entities are not a homogeneous population, even where the users of Tier 1 and Tier 2 financial statements are not substantially different. Tier 1 entities are generally larger organisations that manage substantial resources and operate with more developed finance functions, governance structures and reporting capabilities. Many Tier 2 NFPs are smaller organisations that nevertheless play an important role in delivering social, cultural, health, education and community services. While they may still be economically significant and accountable for substantial donor, grant or public funding, they often operate with fewer financial resources, leaner finance teams and more limited access to specialised accounting expertise.

¹⁹ The Grant Thornton [Not-for-Profit Sector Report 2026](#) notes that the proportion of boards with independent members has declined since 2022, paid board members are the exception rather than the rule and identifies a limited pool of capable board members, many of whom are already serving on multiple boards.

71. Most Tier 1 and Tier 2 NFPs focus on service or programmes delivery. Examples of such service delivery costs include costs of hosting events, providing community or member services, providing training, consumables (e.g. medical supplies or sport equipment) and other programme-related activities. Staff costs are also dominant expense. Other common expenses include administration and overhead costs, depreciation, rent and building costs (including leases), assurance costs and interest or bank fees.²⁰ While some very large Tier 1 NFPs may have complex arrangements (like financial hedges or complex financial instruments), most Tier 1 and Tier 2 NFPs are not entering into complex transactions. [Appendix 8](#) provides further insight into revenues and expenses of registered charities.
72. The balance sheets of Tier 1 and Tier 2 NFPs typically include cash and cash equivalents, property, plant and equipment, trade debtors, inventories, term deposits, investments and intangible assets (mainly software). Common liabilities include employee-related liabilities, trade creditors, borrowings and GST payable. More complex Tier 1 and Tier 2 NFPs may have several funds within their equity, such as funds with restrictions imposed by donors, funds designated to specific purposes, capital funds for construction and acquisition of property, plant and equipment, and general unrestricted funds.
73. Our review of the 15 Tier 1 and 15 Tier 2 registered charities with the highest reported expenses identified a clear difference in the use of derivatives. 10 of the 15 Tier 1 charities reviewed used instruments such as interest rate swaps, foreign exchange forward contracts and related cash flow hedges to manage interest rate and foreign exchange risks. In comparison, only one of the 15 Tier 2 charities reported using an interest rate swap, suggesting that these financial transactions are significantly less common among Tier 2 charities. We note overall that complex financial instruments (including hedge accounting) are likely to be relevant to a small subset of NFPs (and [BDO's Tier 1 NFP model financial statements](#) specifically exclude complex financial instruments and hedge accounting from their illustrative NFP example because it is not commonly encountered in a typical NFP reporting environment).
74. Investments were reported by 64.3% of Tier 1 and 47.1% of Tier 2 registered charities.²¹ Our review of individual financial statements shows that almost half of Tier 1 investments comprised investments in controlled entities and equity-accounted investments. Tier 2 investments included managed funds and investments in joint ventures and associates. Further information is provided in [Appendix 8](#).
75. Applying Tier 1 and Tier 2 reporting requirements may involve significant judgement, documentation, system capability, audit support and ongoing implementation effort. These challenges may be more pronounced for Tier 2 entities because they may have fewer internal resources available to dedicate to financial reporting activities. Although Tier 2 entities receive reduced disclosure requirements, they continue to apply the same recognition, measurement and presentation requirements as Tier 1 entities. As a result, many of the complexities associated with applying PBE Standards remain, even where fewer disclosures are required.
76. Preparers must balance the need for high-quality, transparent and credible reporting against the costs and practical challenges of preparing financial statements. Relevant considerations include accounting capability, auditability, governance expectations, system capability, interactions with funding and regulatory reporting obligations, group reporting interactions, and the resources required to implement and maintain reporting requirements over time.

²⁰ The paper [Typical Transactions in Incorporated Societies that are not Registered Charities, Scott Riordan, Carolyn Cordery \(2016\)](#) provides insight onto typical transactions of NFPs. The study concluded that incorporated societies and registered charities undertake broadly similar types of transactions. However, the study's charity comparison focused primarily on Tier 3 and Tier 4 entities and did not specifically examine whether the transaction profile of Tier 1 and Tier 2 incorporated societies is equivalent to that of Tier 1 and Tier 2 charities. Also, conclusions for Tier 1 and Tier 2 entities should be treated cautiously because the sample contained only 16 entities and therefore individual organisations could materially influence the aggregate results.

²¹ Percentages calculated based on data excluding controlled charities as obtained from Charities.govt.nz in August 2026 as such reflect registered charities' 2025 financial data.

77. Reporting requirements that are not fit-for-purpose, difficult to understand, apply or audit may increase compliance costs, particularly for NFP entities with limited internal accounting capability, that rely upon volunteers, or have less or infrequent complex transactions. These factors may be more relevant for Tier 2 NFP entities, where reporting resources can be more constrained than in Tier 1 entities (as noted above in [Common characteristics of Tier 1 and Tier 2 NFP entities](#)).

Implications for Tier 1 and Tier 2 NFP framework assessment

78. These user and preparer considerations are relevant to the reporting framework assessment because they indicate the type of information that Tier 1 and Tier 2 NFP users require and the practical conditions under which that information is prepared. They indicate that reporting needs extend beyond financial returns and include stewardship of resources, delivery of organisational objectives to support social and community outcomes, transparency, public trust and long-term service continuity.
79. They also help assess whether reporting framework options support transparent, credible and decision-useful reporting, while appropriately reflecting accountability for donated, granted and entrusted resources, service delivery objectives, long-term sustainability and stewardship responsibilities. They also assist in assessing whether reporting requirements remain proportionate, understandable, operable and coherent across the Tier 1 and Tier 2 NFP reporting framework.

International practice, alignment and comparability considerations

Reporting approaches used in other jurisdictions for NFP entities (refer to [Appendix 9](#))

80. Many jurisdictions have concluded that the reporting needs of NFP entities are not fully addressed by accounting frameworks developed primarily for for-profit entities. As a result, they have introduced dedicated NFP standards or modified existing frameworks to better reflect the NFP's circumstances. Many jurisdictions' NFP reporting frameworks are specifically tailored for their own jurisdictional circumstances and reflect the nature of service delivery which occurs in their jurisdiction.
81. At present, the International Non-Profit Accounting Standard (**INPAS**) initiative represents the only emerging international framework being developed specifically for NFP entities. However, INPAS was published only in October 2025. We note that one jurisdiction has announced adoption from 1 January 2028 and some other jurisdictions are currently considering the framework. This means INPAS has not yet been widely adopted and has not been tested through practical implementation across jurisdictions (and we have yet to see any NFP entity report financial statements under the framework).
82. Consequently, there is currently no established internationally accepted NFP reporting framework that provides the same level of maturity, implementation experience or global recognition as IFRS within the for-profit sector or IPSAS within the public sector.

International comparability considerations and Trans-Tasman alignment

83. International comparability may be relevant for some NFP entities, but it is generally less important than it is for for-profit entities. However, based on the nature of many NFP funding and accountability relationships, it may be less significant than for for-profit entities that participate in international capital markets. Unlike for-profit entities, NFP entities do not typically participate in international capital markets, raise equity from investors, or compete for capital based primarily on financial performance measures.²² Instead, they are generally focused on delivering public benefit outcomes, stewardship of resources, service delivery and accountability to donors, funders, members, regulators, beneficiaries and the wider public.

²² The Charities Register indicates that both Tier 1 and Tier 2 registered charities spent only a small proportion of their expenditure overseas, at approximately 1% and 2% respectively.

84. For many NFP entities, funders and users of financial statements are primarily domestic and interested in how domestic resources have been obtained, managed and used to achieve the entity's objectives. This consideration may be particularly relevant for Tier 2 NFP entities, whose users are often local funders, grant providers, donors, members and regulators.
85. Nevertheless, for some NFPs with international operations and funding sources, international comparability may still be relevant. Certain large charitable organisations, international aid organisations, educational institutions and other NFP groups operate across multiple jurisdictions or receive funding from overseas donors, governments or philanthropic organisations. For these entities, comparability with international counterparts may assist external users in understanding financial performance, stewardship and resource allocation decisions.
86. Internationally aligned frameworks may also provide access to a larger body of international literature, implementation guidance and illustrative examples of reporting practices. In addition, alignment with internationally recognised frameworks can support the use of software systems and reporting processes that are designed around international best practice. This consideration is generally more likely to be relevant for certain Tier 1 NFP entities which are typically larger and more complex and operate internationally or have a broader range of global stakeholders.
87. Comparability with Australia may be relevant for some NFPs, users and stakeholders given elements of the trans-Tasman operating environment. This may be particularly the case where NFPs operate across both jurisdictions or form part of wider Australasian groups, receive funding from trans-Tasman donors and funders or participate in shared initiatives across both countries with other similar NFPs. Alignment with Australian reporting requirements may therefore support comparability, group reporting, workforce mobility and the use of common systems, guidance and professional expertise for these entities.

Implications for Tier 1 and Tier 2 NFP framework assessment

88. International practice provides useful context on how other jurisdictions meet the reporting needs of NFP entities and the frameworks they apply, however international comparability of reporting requirements may not be overly valuable in the NFP sector. In the absence of a mature and widely adopted international NFP reporting framework, it is only a reference point for New Zealand, as each jurisdiction operates within its own legislative, regulatory, funding, and reporting environment. Differences in factors such as legal form, charitable status, public funding arrangements, size thresholds, and sector-specific regulation mean that overseas NFP populations and reporting approaches are not always directly comparable to New Zealand's Tier 1 and Tier 2 NFP entities. Examples of approaches adopted in selected jurisdictions are included in [Appendix 9](#).

Practical challenges with the current Tier 1 and Tier 2 NFP framework

89. The current NFP reporting framework is based on Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS), with Tier 2 entities receiving reduced disclosure requirements while applying the same recognition, measurement and presentation requirements as Tier 1 entities. This approach supports consistency across the NFP sector and facilitates movement between tiers. However, practical challenges can arise where requirements are complex, continue to evolve over time, or do not fully reflect the reporting environment, capability levels and information needs of New Zealand NFP entities.

Key challenges

1. Complexity of requirements

- Technically complex and resource-intensive to apply.
- Transitioning from non-GAAP reporting to full PBE Standards recognition and measurement is challenging.
- Certain requirements require significant judgement, specialist expertise, and supporting systems.
- Complexity drive challenges in both application and understanding.

2. Workforce capability

- Limited IPSAS and PBE Standards expertise within the wider NFP sector
- Smaller NFP entities often rely on part-time finance staff, volunteers, or external advisers to meet reporting obligations.

3. Limited NFP-specific coverage

- IPSAS do not always address NFP-specific transactions and circumstances
- Additional guidance or disclosures are often needed to explain NFP-specific activities.

4. Cost of change and remaining current

- Ongoing changes creates pressure on preparers and the broader ecosystem.
- The challenge is not only change itself, but the ability of preparers and users to remain current through ongoing investment in education and capability.

5. Accountability and user needs

- Funders, donors, members, beneficiaries and regulators are often interested in service performance, outcomes achieved and stewardship of resources.
- Financial reporting requirements may not always align with the information needs of key NFP stakeholders.

6. Mixed group reporting

- NFP groups can comprise entities operating under different reporting frameworks
- Applying consistent accounting policies and reporting practices across a diverse group structure can require significant resources, judgement and coordination across related entities.

90. The main practical challenges with the current framework are²³:

- **Complexity of recognition and measurement requirements** – Both Tier 1 and Tier 2 entities apply the same recognition and measurement requirements. While this supports comparability and interoperability between tiers, some PBE Standards can be technically complex and resource-intensive to apply, as they were designed for large public sector entities, rather than NFP entities. Certain requirements also require substantial judgement, specialist expertise and supporting information. These challenges can be particularly significant for Tier 2 entities, which often have more limited internal accounting capability and fewer resources available to support implementation. Although Tier 2 entities receive disclosure relief, this may not be proportionate for some Tier 2 entities.
- **Workforce capability constraints** – Applying PBE Standards requires an understanding of IPSAS-based requirements and the New Zealand modifications incorporated within the PBE framework. Specialist PBE accounting expertise remains relatively limited across the NFP sector. While larger Tier 1 entities may have better access to dedicated finance teams and external advisers, many Tier 2 entities rely on small finance functions, part-time staff, volunteers or external accountants. As mission-oriented organisations, NFP entities often prioritise service delivery over administration costs, which may limit investment in staff training, professional development and specialist finance capability, and make it more difficult to attract and retain experienced finance professionals.
- **Limited NFP-specific coverage in the underlying standards** – Although PBE Standards contain New Zealand modifications and guidance, the underlying IPSAS framework was not developed for the NFP sector. As a result, some NFP-specific transactions, funding arrangements and operating circumstances may not be addressed directly within the PBE Standards. Preparers may therefore need to apply significant judgement or provide additional explanation to communicate the economic substance of NFP activities and outcomes – affecting both Tier 1 and Tier 2 entities.
- **Ongoing implementation and maintenance effort** – Tier 1 and Tier 2 NFP entities must monitor and implement new and amended PBE Standards, including related changes to accounting policies, systems, processes, controls, disclosures, audit evidence and staff training. Maintaining

²³ We note that the Grant Thornton [Not-for-Profit Sector Report 2026](#) identifies several of the challenges discussed in this paper and highlights additional sector-wide issues that are not related to the ASF – for example cybersecurity,

technical capability and keeping reporting practices current requires ongoing investment across the wider reporting ecosystem. While this challenge affects entities across both tiers, it may be particularly difficult for Tier 2 entities, which often have more limited internal accounting resources.

- **Alignment with NFP user needs and accountability objectives** – Users of NFP financial statements range from sophisticated stakeholders, such as government agencies, banks, funders and lenders, to donors, members and the wider public. As a result, user information needs can vary significantly, with some focusing on financial performance and resilience, while others are more interested in accountability, stewardship of resources and outcomes achieved. The challenge is ensuring that reporting requirements provide information that is useful to this diverse user base without creating an unnecessary reporting burden and balance clear and effective reporting with all the information a broad range of users would need to make effective decisions.
- **Mixed group reporting and interoperability challenges** – Some NFP groups comprise entities applying different reporting tiers, reporting frameworks or sector-specific requirements. Applying consistent accounting policies and reporting practices across diverse group structures can require considerable judgement, coordination and resources. These challenges can arise for both Tier 1 and Tier 2 entities where group structures exist. However, these challenges may be more prevalent for some Tier 1 groups, as larger organisations are more likely to operate through multiple subsidiaries, controlled entities or related organisations and to have more complex group structures.

Implications for framework assessment

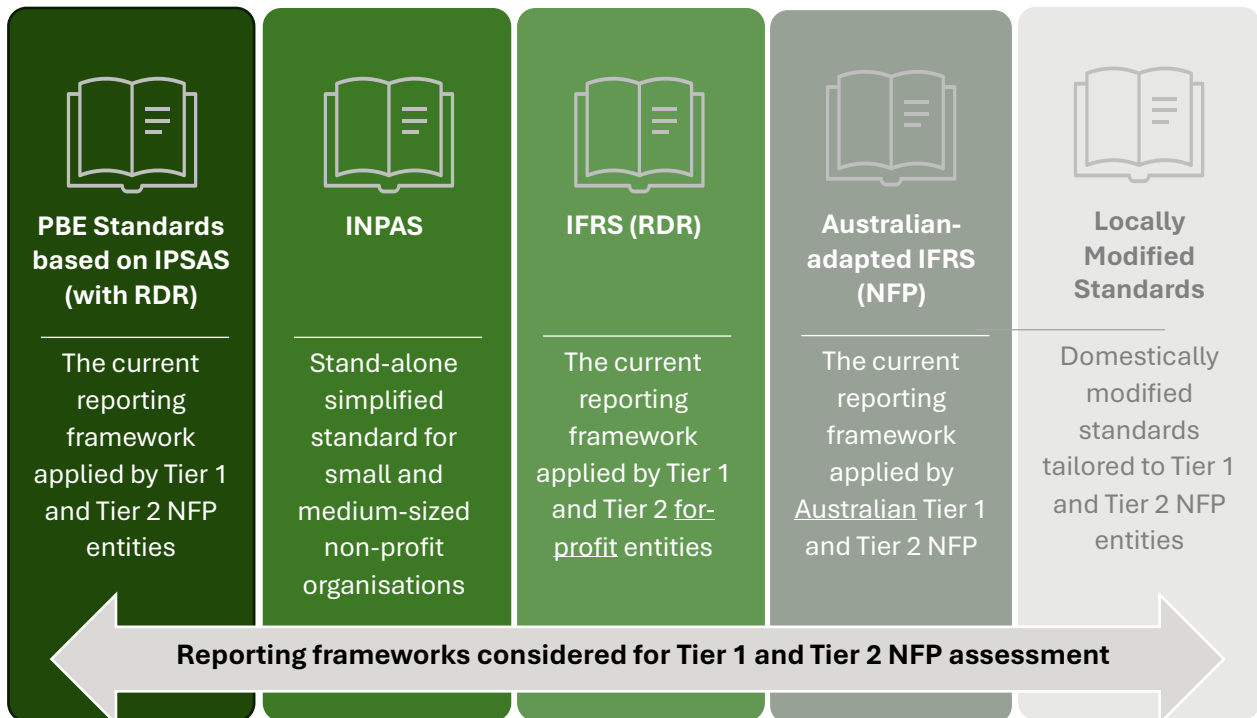
91. These challenges are relevant to the framework assessment because they help identify the practical pressures experienced by Tier 1 and Tier 2 NFP entities and provide context for assessing whether the existing framework remains fit-for-purpose for Tier 1 and Tier 2 NFP entities and for evaluating alternative reporting framework options.
92. Not all of these challenges can be addressed through changes to the ASF. Some arise from broader factors, including workforce capability, organisational complexity, funding arrangements, legislative settings and the wider reporting ecosystem. The purpose of the framework assessment is therefore not to eliminate all reporting challenges, but to consider whether alternative framework options could reduce unnecessary burden, improve proportionality and achieve an appropriate balance between accountability, user needs and reporting costs.

Reporting framework options considered

93. This paper considers selected reporting framework options that could apply to entities required to report under Tier 1 and Tier 2 NFP. The options have been selected to illustrate different framework-level approaches to Tier 1 and Tier 2 NFP reporting, including continuing with the current PBE Standards based on IPSAS/PBE Standards based on IPSAS with RDR framework, considering another comprehensive international framework, or considering a framework with greater New Zealand-specific modification.
94. The selected options allow the assessment to consider different trade-offs, including international recognition, comparability, technical robustness, domestic flexibility, operability and implications for New Zealand's reporting ecosystem.
95. Several jurisdictions have developed national standards for NFP entities based on IPSAS, IFRS, or domestic reporting frameworks. Apart from Australia, these frameworks have not been assessed as standalone options because they are tailored to the specific legal, regulatory, and operating environments of their respective jurisdictions. However, elements of these frameworks (including

Australian NFP Standards) may provide useful insights when considering whether a locally modified New Zealand framework would be appropriate.

96. Special purpose financial reporting has not been assessed as a separate framework option due to our focus on entities required to prepare GAAP-compliant financial statements. Further consideration of special purpose financial reporting and its roles within the ASF review has been considered separately in the [Special purpose financial reporting paper](#).
97. The reporting framework options selected for assessment are summarised in the visual below. Each framework option will be assessed against the established framework-level criteria as outlined in the [PBE sector overview paper](#).



98. Inclusion of a framework option in the assessment does not mean it is proposed to be carried forward for consultation. Rather, it reflects staff's consideration of whether any alternative frameworks may provide a suitable option to explore further in the public discussion paper.

Implementation considerations for options involving change

99. Any change from the current Tier 1 and/or Tier 2 NFP reporting framework would have implications for how the ASF operates for entities required to apply Tier1 or Tier2 NFP reporting requirements including potential transition pathways. The feasibility, timing and implementation pathway for any option involving change would require further consideration before any proposal could be developed.
100. This would include consideration of the extent to which any changes fall within the XRB's mandate, interactions with existing legislative and regulatory settings, whether consequential amendments to legislation, regulations or other instruments would be required, whether Ministerial approval would be required for particular changes, and appropriate transition arrangements for affected entities.
101. These implementation considerations have not been assessed in detail as part of the preliminary Tier 1 and Tier 2 NFP framework option analysis. They will form an important part of any future development work if the Board decides to explore an option involving change further.

Optionality and framework coherence considerations within Tier 1 and Tier 2 NFP

102. A further design question considered as part of the assessment is whether Tier 1 and Tier 2 NFP entities should be permitted to use, or have financial statements accepted under, more than one reporting framework. Regardless of their domestic reporting obligations, we note some Tier 1 and Tier 2 NFPs may prefer to report using NZ IFRS, or PBE Standards, if it facilitates a better conversation with their users and aids in international comparisons given their funding sources, and group consolidation processes. As such, optionality may help remove potential duplication of voluntary reporting practices for certain NFPs.
103. Optionality may provide flexibility for some Tier 1 and Tier 2 NFP entities and reduce costs where a simpler framework can be applied. It may also better accommodate the diverse nature of the Tier 1 and Tier 2 NFP population and, in some circumstances, simplify group reporting. However, allowing more than one framework within Tier may reduce comparability, affect global user understanding and increase audit, regulatory and capability requirements across the reporting ecosystem.
104. Optionality may also affect framework coherence. The ASF tier structure is intended to provide a clear basis for determining which reporting requirements apply to different entity populations with the characteristics and user needs of Tier 1 or Tier 2 NFP in mind. Allowing multiple frameworks within Tier could reduce that clarity unless the circumstances in which each framework may be used are clearly defined.
105. For these reasons, optionality is not assessed as a separate reporting framework option in this paper. Instead, it is treated as a possible design feature that could be considered if the ASF review identifies a need for greater flexibility within Tier 1 and/or Tier 2 NFP, including whether different framework options should be available only in clearly defined circumstances.
106. Staff propose that the public discussion paper include a question seeking stakeholder views on whether optionality within Tier 1 and Tier 2 NFP should be considered and, if so, in what circumstances and with what implications for comparability, cost, complexity, system coherence and the ongoing maintenance of disclosure concessions.

Analysis of framework options

The Tier 1 and Tier 2 NFP reporting framework assessment

107. The analysis that follows applies the framework-level assessment criteria outlined in the [PBE sector overview paper](#) to the current PBE Standards based on the IPSAS framework and the alternative reporting framework options considered in this paper. The criteria are applied considering the Tier 1 and Tier 2 NFP context discussed above, including entity characteristics, legislative and regulatory settings, user and preparer needs, practical implementation considerations, and international alignment.
108. The criteria are intended to be applied collectively and do not have fixed weightings, with judgement to support a structured and balanced evaluation of each option. We recognise that simplification and proportionality may carry greater weight for some NFP entities, while interoperability and international alignment may remain important for other NFP entities within groups or with cross-border funders. This section summarises the main observations from the assessment. Detailed criterion-by-criterion analyses for Tier 1 and Tier 2 NFP entities are set out in [Appendix 6](#) and [Appendix 7](#) respectively.
109. For the Tier 2 NFP assessment, interoperability with Tier 1 NFP is considered as part of the broader ASF review criteria. It refers to the extent to which a Tier 2 NFP framework remains compatible with the Tier 1 NFP framework, including consistency in recognition and measurement requirements, movement between tiers, group reporting and consolidation processes, and the use of a common reporting ecosystem.

110. For simplicity, when assessing the ‘move between tiers’ criteria for Tier 2 entities, this analysis evaluates the coherence and challenges associated with entities transitioning into PBE Standards based on IPSAS (the current requirements for Tier 1 NFPs). This assumption is used only for analytical purposes and should not be interpreted as an XRB recommendation or preferred future approach for Tier 1 NFP entities.
111. The interoperability with Tier 3 or Tier 4 NFP framework is not considered in this paper. For further detail on the PBE Tier 3 and Tier 4 frameworks considered, please refer to the [Public Sector and Not-For-Profit Tier 3 and Tier 4 paper](#).
112. We have considered and assessed five possible frameworks for Tier 1 and Tier 2 NFP entities as set out in [Appendix 6](#) and [Appendix 7](#) respectively. Below is the summary assessment across the framework-level assessment criteria used across the broader ASF review.

Tier 1 NFP assessment summary

Tier 1 NFP Option	Technical fitness	Simplification	International alignment	Local relevance	Ecosystem	Transition costs	Ongoing costs
A. PBE Standards based on IPSAS	●	●	●	●	●	●	●
B. INPAS	●	●	●	●	●	●	●
C. IFRS	●	●	●	●	●	●	●
D. Australian-adapted IFRS framework (NFP)	●	●	●	●	●	●	●
E. Locally modified standards	●	●	●	●	●	●	●

Tier 2 NFP assessment summary

Tier 2 NFP Option	Technical fitness	Simplification	International alignment	Local relevance	Ecosystem	Transition costs	Ongoing costs	Move between tiers
A. PBE Standards based on IPSAS with RDR	●	●	●	●	●	●	●	●
B. INPAS	●	●	●	●	●	●	●	●
C. IFRS RDR	●	●	●	●	●	●	●	●
D. Australian-adapted IFRS framework (NFP)	●	●	●	●	●	●	●	●
E. Locally modified standards	●	●	●	●	●	●	●	●

Legend:

- Strong fit / low concern
- Mixed fit / medium trade-off concerns
- Significant trade-off concerns

A. PBE Standards based on IPSAS (with RDR for Tier 2 NFPs)

Reporting framework overview

113. PBE Standards are the current Tier 1 and Tier 2 NFP reporting framework. Under this framework, Tier 1 NFP entities apply full PBE Standards requirements, while Tier 2 NFP entities apply PBE Standards RDR, which retain the same recognition, measurement and presentation requirements but provide reduced disclosure requirements. PBE Standards are based on IPSAS and have been adapted where necessary by the XRB to reflect New Zealand circumstances. Further information about IPSAS, PBE Standards and PBE Standards with RDR is provided in the PBE Standards factsheet – see [Appendix 1](#). Additionally, the papers on [IPSAS adoption around the world](#) and [Alignment between IPSAS and IFRS](#) may also provide further contextual background of PBE Standards based on IPSAS.

Implications for mandated Tier 1 and Tier 2 NFP entities

114. Retaining PBE Standards would support continuity because it is already embedded within New Zealand's not-for-profit reporting environment. Existing preparer, auditor, adviser, education, software and implementation capability has been developed around the current PBE Standards framework. Retaining the current framework would therefore avoid the transition disruption and implementation costs associated with moving to a different reporting framework.
115. PBE Standards are based on IPSAS, which are designed and written primarily for public sector entities. While this provides a comprehensive and internationally recognised starting point, ongoing effort is required to adapt and maintain the standards, so they remain relevant to New Zealand's NFP environment. The resulting framework better reflects common NFP activities, such as grants, donations, service delivery and other non-exchange transactions, than frameworks developed primarily for for-profit entities.
116. The framework also provides flexibility for the XRB to modify IPSAS-based requirements where necessary to reflect New Zealand circumstances and user needs. This may support future simplification initiatives where there is evidence that particular requirements are not proportionate for parts of the NFP sector. However, any modifications would need to be carefully balanced against maintaining a coherent, high-quality and credible reporting framework, as well as interoperability across the broader NFP reporting environment and public sector reporting environment (given the current PBE Standards apply to both the NFP and public sectors).
117. The main trade-off is that the framework may impose a level of complexity that is disproportionate for some NFPs, as these standards are based on providing reporting principles for large public sector entities (and are primarily based on IFRS Accounting Standards as a starting position). In addition, periodic updates to the standards suite require entities to monitor and implement new requirements, update systems and processes, and maintain appropriate accounting capability. For organisations with limited resources, the cumulative effect of these ongoing changes may increase implementation costs and contribute to change fatigue. Some complexity may also reflect the underlying transactions undertaken by larger NFP entities, including group structures, investment activities, borrowing arrangements and funding agreements.

Additional Tier 2 NFP considerations

118. PBE Standards with RDR provides disclosure relief for Tier 2 NFP entities while retaining the same recognition, measurement and presentation requirements as Tier 1 NFP entities. This approach supports interoperability with Tier 1 NFP reporting, including movement between tiers, group reporting and consolidation processes.
119. However, because simplification is achieved through reduced disclosures only, Tier 2 entities continue to apply the full recognition and measurement requirements of PBE Standards. This means that many of the complexities associated with accounting for transactions and events remain, even where the disclosure burden is reduced. Consequently, the reporting effort required may still be disproportionate for some less complex Tier 2 NFPs.
120. The extent of the benefit therefore depends on whether disclosure relief reduces the overall information-gathering, accounting and reporting effort, rather than simply reducing the number of disclosures presented in the financial statements. Preparers and auditors still need to identify and apply the relevant PBE Standards requirements and assess whether the resulting financial statements remain complete, useful and auditable.

Overall observations

121. Overall, retaining PBE Standards would maintain continuity with the current NFP reporting framework and preserve a comprehensive, internationally informed framework that reflects many of the unique characteristics of the Tier 1 and Tier 2 NFP sector. It would avoid significant transition costs and continue to leverage the existing reporting ecosystem that has developed around PBE Standards.
122. The principal trade-off is that framework may impose a level of complexity that some stakeholders consider disproportionate to the reporting needs of certain NFP entities, particularly as the underlying standards are developed primarily for public sector reporting rather than NFP reporting. While the XRB can modify requirements to reflect New Zealand circumstances, any further simplification would need to balance local relevance and proportionality with reporting quality, comparability and overall framework coherence. Some stakeholders may consider that certain requirements impose costs that exceed the corresponding benefits.

B. INPAS

Reporting framework overview

123. The International Non-Profit Accounting Standard (INPAS) is a stand-alone financial reporting framework developed specifically for the not-for-profit sector. It was issued by the International Non-Profit Reporting Foundation (INPRF) in October 2025. INPAS is founded on the IFRS for SMEs with modifications to address transactions and circumstances commonly encountered by NFP entities. INPAS is designed primarily for small and medium-sized NFP entities. Further information about the framework is provided in the INPAS factsheet – see [Appendix 2](#)

Implications for mandated Tier 1 and Tier 2 NFP entities

124. A key strength of INPAS is that it is the only internationally developed reporting framework designed specifically for the NFP sector. Whereas IPSAS was originally developed for public sector entities and subsequently adapted by the XRB for New Zealand NFPs (refer to the paper on [Alignment between IPSAS and IFRS](#) that explains this process), INPAS has been designed from inception around the transactions, accountability relationships and reporting issues commonly experienced by NFP entities. This makes the requirements more relevant and tailored to NFP entities and may result in clearer reporting for NFP users.
125. INPAS also incorporates a level of proportionality that may be attractive for some entities. Because it is based on IFRS for SMEs rather than full IPSAS, it generally contains simplified recognition, measurement and disclosure requirements. This simplification is reflected not only in the accounting requirements themselves but also in the structure of the framework. INPAS is contained within a single standard of approximately 300 pages, whereas New Zealand entities currently apply a suite of more than 40 PBE Standards. This may reduce reporting complexity, implementation effort and compliance costs compared with a full PBE Standards framework, although there is currently limited evidence from practical implementation to confirm whether these benefits will be realised in practice. The proportionality benefits may be particularly relevant for Tier 2 entities where some stakeholders have questioned whether disclosure relief alone provides a sufficient reduction in reporting burden, given the growing number of requirements in the Tier 1 framework.
126. However, Tier 1 NFP entities manage significant public, donor or community resources and may undertake complex transactions, financing arrangements or group structures. A framework originally designed for small and medium-sized entities may not provide a sufficient level of technical depth, comprehensiveness or reporting rigour currently provided through PBE Standards.

127. Another potential benefit of INPAS is that updates are expected to be less frequent than changes issued under IFRS or IPSAS. Similar to IFRS for SMEs, the framework is expected to be updated periodically rather than through a continuous cycle of amendments. This may provide greater stability for preparers, auditors and users, reduce ongoing implementation costs and lessen change fatigue across the sector. However, less frequent updating may also mean that the framework does not respond as quickly to emerging transactions, evolving reporting practices or changing user needs.
128. A significant consideration is that INPAS is a newly developed framework with limited evidence of practical implementation. Although international interest is growing, with Kenya announcing adoption²⁴, seven other jurisdictions planning to adopt INPAS and with reported interest from a number of other jurisdictions, the extent and timing of any future adoption remains uncertain. It is also notable that all but one of the eight jurisdictions planning adoption have extensive experience applying IFRS for SMEs, which may influence the ease of their transition.
129. Adopting INPAS would also represent a significant change for New Zealand's financial reporting environment. Tier 1 and Tier 2 NFP preparers, auditors, advisers, software providers, educators and regulators have developed considerable expertise in PBE Standards over the past decade. Introducing an additional reporting framework would require substantial investment in training, guidance, implementation support and capability building, which could potentially outweigh benefits of the simpler reporting requirements attached to the INPAS framework compared to PBE Standards. We note this is expected to be a short-term transition cost, rather than an ongoing cost over the medium to long term.

Additional Tier 2 NFP considerations

130. For Tier 2 entities, INPAS may provide a more proportionate reporting framework than the current PBE Standards with RDR model because simplification extends beyond disclosures and includes recognition and measurement requirements. This may reduce accounting complexity and ongoing compliance costs for some entities, particularly those with less complex transactions or limited internal reporting capability.
131. However, INPAS departs from PBE Standards recognition and measurement requirements. As a result, adopting INPAS for Tier 2 would reduce interoperability with Tier 1 NFP reporting if Tier 1 entities continued to apply PBE Standards. This could affect comparability between Tier 1 and Tier 2 entities, movement between tiers, group reporting and consolidation processes, and the operation of a common reporting ecosystem. Entities moving from Tier 2 to Tier 1, or reporting into groups that apply PBE Standards, may need accounting adjustments because INPAS can produce different accounting outcomes from IPSAS-based standards, which will add time, cost and effort for those entities and groups. The significance of these interoperability challenges would depend on the future design of the NFP reporting framework.

Overall observations

132. Overall, INPAS represents an internationally developed reporting framework specifically designed for the not-for-profit sector and therefore offers a level of sector relevance not found in IFRS-based or IPSAS-based alternatives. Its simplified approach may provide a more proportionate reporting framework for some NFP entities, particularly in Tier 2, and its less frequent update cycle may reduce ongoing implementation and maintenance costs.
133. However, INPAS is a newly developed framework with limited implementation experience and limited evidence regarding its practical application. Adoption would require significant ecosystem investment in capability, training, systems and implementation support. The framework's IFRS for SMEs foundation

²⁴ [Kenya publishes adoption roadmap](#) and announced adoption from 1 January 2028.

may also be less suited to the accountability expectations and reporting needs of some Tier 1 NFP entities, depending upon the complexity of their operations.

C. IFRS (RDR)

Reporting framework overview

134. IFRS is a comprehensive suite of international accounting standards developed by the International Accounting Standards Board (IASB). The standards were designed primarily for for-profit entities and capital market participants, with a focus on the information needs of investors, lenders and other creditors. IFRS-based reporting is currently used extensively within the for-profit reporting environment in New Zealand, Australia and internationally. Further information about IFRS, NZ IFRS and NZ IFRS with RDR is provided in the IFRS factsheet – see [Appendix 3](#).

Implications for mandated Tier 1 and Tier 2 NFP entities

135. A key strength of IFRS is that it provides a technically robust, internationally recognised and well-developed framework for accounting for complex transactions and events. It contains comprehensive recognition, measurement, presentation and disclosure requirements and is supported by extensive guidance, implementation experience, education material, software solutions and professional capability.
136. As the most widely adopted and supported reporting framework globally, IFRS also benefits from a large, and continuously growing, body of digital content, implementation knowledge and practical application experience across multiple jurisdictions. This may make it particularly well positioned to benefit from future technologies, including artificial intelligence, which could assist with automating or simplifying aspects of standards application and financial reporting processes.
137. However, IFRS was developed primarily for for-profit entities operating in commercial and capital-market environments rather than organisations whose main objective is to deliver public benefit outcomes. As a result, it does not specifically address many of the transactions and accountability relationships commonly found in the NFP sector. For example, donations, grants, volunteer services, fundraising activities and other non-exchange transactions are not a primary focus of the framework. Although, we note IFRS standards contain general principles that could be applied to account for these transactions, even though it does not provide NFP-specific guidance.
138. A significant limitation of an IFRS-based framework is potentially the limited ability to adapt or simplify requirements for New Zealand NFP entities. Given the licensing agreement in place to use IFRS Standards, and to fully benefit from international comparability, development processes and global guidance, modifications to the recognition and measurement requirements are generally not appropriate, as the benefits of maintaining IFRS alignment outweigh potential divergence. As a result, additional guidance, supplements or workarounds may be needed to make the framework suitable for NFP reporting.
139. Similar to IPSAS, the IFRS framework may impose a level of complexity that is disproportionate for some less complex NFP entities and periodic updates to the standards suite may increase implementation costs and contribute to change fatigue.
140. Adopting IFRS would represent a significant change from the current PBE Standards framework and revert to requirements which were in place prior to the ASF being created. Although PBE Standards are largely based on IPSAS, which in turn draws extensively on IFRS, and the two frameworks are broadly interoperable, there are important differences in underlying principles and in certain recognition, measurement, presentation, and disclosure requirements, particularly around reflecting the service potential of assets rather than pure economic benefits. While IFRS-based systems and expertise are

widely available, and used by NFP entities in the past, the transition would still involve significant cost and disruption.

Additional Tier 2 NFP considerations

141. Under the IFRS framework, Tier 2 entities would apply IFRS RDR, means Tier 2 entities would receive disclosure relief while continuing to apply the full recognition and measurement requirements of IFRS. Similar to PBE Standards, simplification would be achieved primarily through reduced disclosures rather than through simplified accounting requirements. Consequently, many of the complexities associated with accounting for transactions and events would remain and may be disproportionate for some less complex Tier 2 NFP entities.
142. In addition, adopting IFRS for Tier 2 NFP entities would reduce interoperability with Tier 1 NFP entities if Tier 1 continued to apply a PBE Standards. Different recognition and measurement requirements could result in reduced comparability between tiers and create challenges for movement between tiers, group reporting and consolidation processes.

Overall observations

143. Overall, IFRS provides a comprehensive, internationally recognised and technically robust framework. Adoption could improve alignment with Australia (where IFRS forms the basis of their reporting requirements) and leverage existing international reporting infrastructure, systems and professional capability. However, IFRS was developed primarily for for-profit entities and does not specifically address the distinctive characteristics and reporting needs of NFP entities. Alternative framework: Australian-adapted IFRS framework (NFP)

D. Australian-adapted IFRS framework (NFP)

Reporting framework overview

144. Australian Accounting Standards (**AASB Standards**) are an IFRS-based suite of accounting standards issued by the Australian Accounting Standards Board (**AASB**). The framework incorporates IFRS Accounting Standards and adapts them where necessary for the Australian context, including additional requirements and guidance for not-for-profit entities. In practice, these adapted requirements apply to charities with annual revenue of at least \$500,000 AUD²⁵ and non-charitable companies limited by guarantee with revenue of at least \$250,000 AUD²⁶ that are required to prepare annual financial reports. Reporting obligations for incorporated associations are determined under state and territory associations incorporation legislation. Thresholds differ by jurisdiction, although several major jurisdictions (including Victoria, Western Australia and New south Wales) now use revenue thresholds broadly aligned with the ACNC charity size thresholds of A\$500,000.²⁷
145. Australian Tier 1 NFP entities apply the full suite of Australian Accounting Standards, while Tier 2 entities apply the same recognition and measurement requirements with simplified disclosures under AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*. For further information please see [Appendix 4](#) AASB Standards factsheet. Additionally, the paper on [Reporting Requirements in Australia for public sector and private NFP entities](#), may also provide useful context for this framework options being considered.

²⁵ [The Australian Charities and Not-for-profits Commission \(ACNC\) website](#) provides overview of Australian charities reporting requirements.

²⁶ [Corporations Act 2001](#) sets reporting requirements for non-charitable companies limited by guarantee – see sections 285A and 45B

²⁷ Source: WA [Tiered financial reporting - Consumer Protection - LGIRS](#); NSW [Financial reporting requirements for Tier 1 \(large\) and Tier 2 \(small\) incorporated associations](#) NSW Government; Victoria [Financial statements and auditing requirements for incorporated associations - Consumer Affairs Victoria](#). The CPA 2020 report [Companies limited by guarantee and incorporated associations Reporting and audit-review obligations](#) provides a useful summary of incorporated association reporting requirements across Australian jurisdictions. However, a number of jurisdictions have increased their reporting thresholds since the report's publication in 2020.

Implications for mandated Tier 1 and Tier 2 NFP entities

146. A key strength of the Australian framework is that it is a high-quality, principles-based and IFRS-based framework. It provides a comprehensive basis for reporting complex transactions and includes Australian NFP-specific requirements developed to address transactions commonly encountered by NFP entities in Australia.
147. Although AASB Standards include NFP-specific modifications, there remains a risk that New Zealand-specific reporting considerations, including Māori perspectives and local legislative settings, may require additional consideration if an Australian-based framework were adopted. New Zealand would also have limited influence over future Australian standard-setting decisions and priorities. In addition, given Australian NFPs are generally larger in size and scale than New Zealand NFPs, reporting requirements developed in Australia may not be proportionate or relevant to New Zealand.
148. As an IFRS-based framework it may impose a level of complexity that is disproportionate for some NFP entities and periodic updates to the standards suite may increase implementation costs and contribute to change fatigue. Adopting AASB Standards would support alignment with Australia and may improve comparability for organisations operating across the Tasman, including entities that are part of Australian groups, receive funding from Australian organisations, or share common reporting processes and systems. However, the framework would provide less comparability with jurisdictions that apply IPSAS-based frameworks or other NFP-specific reporting frameworks, given it is grounded in for-profit reporting.

Additional Tier 2 NFP considerations

149. For Tier 2 entities, Australia applies a reduced disclosure approach through AASB 1060. Similar to New Zealand's current PBE Standards with RDR model, Tier 2 entities continue to apply the same recognition and measurement requirements as Tier 1 entities, with simplification achieved primarily through reduced disclosures rather than through simplified accounting requirements. Consequently, many of the complexities associated with accounting for transactions and events would remain and may be disproportionate for some less complex Tier 2 NFP entities.
150. In addition, adopting AASB Standards for Tier 2 NFP entities would reduce interoperability with Tier 1 NFP entities if Tier 1 continued to apply PBE Standards. Different recognition and measurement requirements could result in reduced comparability between tiers and create challenges for movement between tiers, group reporting and consolidation processes. We note the disclosure requirements in AASB 1060 are different to the current Tier 2 PBE Standards RDR disclosure requirements. While AASB 1060 generally results in a lower overall volume of disclosures, it requires some disclosures that are not currently included in Tier 2 NFP RDR. As a result, NFPs may be required to provide additional information in specific areas despite the overall reduction in disclosure requirements, if adopted in New Zealand.

Overall observations

151. Overall, AASB Standards provide a high-quality, IFRS-principles-based framework that is supported by a mature reporting ecosystem and offers strong trans-Tasman alignment. The framework includes NFP-specific requirements and may be familiar to many preparers, auditors and users operating across New Zealand and Australia.
152. The trade-offs are that the framework may not fully address New Zealand-specific NFP reporting and accountability requirements, provides limited comparability with non-Australian frameworks, and continues to require implementation of the full IFRS-based standards suite which may be more complex than necessary for some NFP entities. For Tier 2 entities, simplification is achieved primarily through reduced disclosures rather than through relief from recognition and measurement requirements.

E. Locally modified standards

Reporting framework overview

153. The NZASB could explore locally developed standards across most of the ASF tiers as a possible option within the broader ASF review. We have considered the best approach and concluded that this would not mean developing standards from a blank page. Instead, New Zealand could use an established framework from another jurisdiction, such as the United Kingdom, Australia, or another jurisdiction, as a starting point and make targeted modifications where needed for the New Zealand context. Therefore, this will be referred to as locally modified standards.
154. Locally modified standards would involve adopting another reporting framework as a base and modifying that framework to reflect New Zealand-specific requirements, circumstances or policy objectives. The nature and extent of modifications could vary depending on the objectives of the framework and the underlying framework selected. Further information about the indicative approach to locally modified standards is provided in [Appendix 5](#).

Implications for mandated Tier 1 and Tier 2 NFP entities

155. A locally modified framework may provide greater flexibility to respond to New Zealand-specific considerations. Depending on the underlying framework and extent of modification, it may also provide more scope to simplify or adapt requirements for Tier 1 and Tier 2 entities. The implications would depend on the design of the locally modified framework, the suitability of the source framework selected, legislative settings and user needs. Limited modifications to an existing international or jurisdictional framework would have different effects from a more bespoke New Zealand framework.
156. If an IFRS-based framework were used as the source framework, licensing arrangements would need to be considered. Current IFRS licensing arrangements may limit the extent to which New Zealand could selectively use, amend or combine IFRS Accounting Standards outside the permitted adoption model²⁸. Other jurisdiction's standards may contain similar or more restrictive licensing limitations as well.
157. A significant question is how the potential benefits of greater local relevance should be weighed against the implications of moving further away from international alignment. A locally modified framework may affect international and trans-Tasman comparability, recognisability, auditability, systems, guidance and standard-setting capacity. The extent of these effects would depend on the source framework selected, the nature and extent of any modifications, and how readily users, auditors and regulators could understand and apply the resulting framework.
158. Many NFP entities appear to operate primarily within New Zealand and obtain funding from domestic donors, grant providers, government agencies and local communities. Consequently, the international comparability benefits associated with IPSAS/IFRS-aligned frameworks may be less significant for many NFP entities than they are for for-profit entities. Nevertheless, some NFP entities are part of international networks, receive funding from overseas sources, or work closely with Australian and other international counterparts. For these entities, alignment with internationally recognised standards may facilitate reporting to funders and stakeholders, support comparability across jurisdictions, and reduce reporting complexity where information is shared within a wider group structure. The significance of these benefits will depend on the nature and scale of an entity's international activities.

Additional Tier 2 NFP considerations

159. Under a locally modified framework, there may be scope to provide relief not only from disclosure requirements, but also from selected recognition and measurement requirements where there is

²⁸ IFRS Foundation, [Licensing of IFRS Standards for adoption and jurisdictional use](#). This page outlines the IFRS Foundations adoption and licensing arrangements for jurisdictions using IFRS Accounting Standards.

sufficient evidence that such relief would be appropriate and would better reflect the needs and capabilities of Tier 2 NFP entities. This could potentially reduce preparation costs and complexity beyond the relief currently available under the reduce disclosure requirements approach.

160. However, providing recognition and measurement relief may reduce interoperability between Tier 1 and Tier 2 NFP entities. The significance of these effects would depend on the nature and extent of any recognition and measurement differences introduced.

Overall observations

161. Overall, locally modified standards developed specifically for New Zealand NFPs may provide greater domestic flexibility and may support a more proportionate framework for some NFP entities. However, those benefits would not be automatic and would need to be weighed against reduced comparability and interoperability, transition and implementation costs, standard-setting and maintenance demands, access to guidance, ecosystem readiness, the need for disciplined change control and the risk of over-tailoring.
162. While international comparability may be more important for for-profit entities, it may still be relevant for some NFP entities, particularly those that are part of international networks, receive funding from overseas sources, or work closely with Australian and other international counterparts.

Summary observations and framework options for consultation

163. The assessment indicates that each reporting framework option could provide a basis for Tier 1 and Tier 2 NFP reporting, but each would involve different implications for mandated entities. The public discussion paper is intended to seek open feedback on whether the current framework remains appropriate or whether an alternative approach would better balance comparability, proportionality, operability and user information needs for mandated Tier 1 and Tier 2 NFP entities.
164. The assessment identified different benefits and trade-offs across the five framework options.
- **PBE Standards / PBE Standards with RDR** provide continuity, a mature reporting ecosystem, interoperability, and a framework that reflects many NFP-specific transactions through its IPSAS-based foundation and New Zealand modifications. However, the framework may be considered too complicated for some entities, Tier 2 relief is achieved through reduced disclosures rather than simplified recognition and measurement requirements. Whether the benefits of continuity and interoperability outweigh complexity concerns is ultimately a matter for stakeholder feedback.
 - **INPAS** is the only internationally developed framework designed specifically for NFP entities and may provide a more proportionate reporting framework through simplification of recognition, measurement and disclosure requirements. However, it is newly developed and largely untested in practice and may not be suitable for complex transactions and complex group structures of some Tier 1 NFP entities. Whether the benefits of simplification outweigh implementation uncertainty and ecosystem transition costs is ultimately a matter for stakeholder feedback.
 - **IFRS/IFRS RDR** provides a comprehensive, internationally recognised and technically robust framework supported by extensive implementation experience and infrastructure. However, it does not specifically address many NFP transactions and accountability relationships. It would also reduce alignment with the existing NFP reporting framework and offer limited flexibility for New Zealand-specific NFP requirements. For Tier 2 entities, simplification would remain largely through reduced disclosure requirements.

- **Australian-adapted IFRS framework (NFP)** provides a mature IFRS-based framework with NFP-specific requirements and strong trans-Tasman alignment. However, it may not fully reflect New Zealand-specific NFP reporting needs, accountability expectations or Māori perspectives. Similar to the current Tier 2 approach, simplification is achieved primarily through reduced disclosures rather than recognition and measurement relief. Whether trans-Tasman alignment benefits outweigh concerns regarding local relevance is ultimately a matter for stakeholder feedback.
- **Locally modified standards** may provide greater domestic flexibility, but there may be significant impacts on the comparability, maintenance, transition requirements and ecosystem implications for mandated entities. This option could be explored further with stakeholders, including through an indicative methodology to explain what the approach could mean in practice.

165. As such, the framework options proposed to be tested further with stakeholders in the public discussion paper for Tier 1 and Tier 2 NFP entities are all the above-mentioned frameworks. Inclusion of these options is intended to seek stakeholder feedback on the relative benefits, limitations and trade-offs of each option. The analysis does not indicate that any option is preferred or proposed to be retained or to replace the current framework.

166. We also note that optionality within Tier 1 and Tier 2 NFP may provide flexibility for some entities and may better accommodate the diversity of the population, which includes entities with different levels of organisational complexity, legal forms, purposes, operating models and funding arrangements. However, it could affect comparability, user understanding, audit consistency, cost, complexity and framework coherence. The public discussion paper should therefore seek stakeholder views on whether optionality within Tier 1 and Tier 2 NFP should be considered and, if so, in what circumstances and with what implications for the Tier 1 and Tier 2 NFP reporting ecosystem.

Questions for the Board

- Q1.** Does the Board have any **FEEDBACK** on the analysis presented, including whether it appropriately reflects the key characteristics, reporting needs, challenges, and accountability considerations, as well as any other contextual information relevant to the Tier 1 and Tier 2 NFP entities?
- Q2.** Does the Board have any **FEEDBACK** on the framework options analysis presented, including whether it appropriately captures the considerations relevant to assessing the suitability of the frameworks for Tier 1 and Tier 2 NFP entities?
- Q3.** Does the Board **IDENTIFY** any areas where further analysis or evidence is required to support the ASF discussion paper?

Extract of public discussion paper

167. We propose including the following blue extract in the public discussion paper to summarise the Tier 1 and Tier 2 NFP reporting framework analysis to test and seek stakeholder feedback on all framework options considered for these tiers, along with Appendices 1-7 below.

168. The paper will also summarise the implications of INPAS, IFRS/IFRS RDR, Australian-adapted IFRS framework (NFP), and locally modified standards, and questions to be explored with stakeholders.
169. The proposed text may be refined during final drafting of the discussion paper to ensure overall coherence and flow.

Draft Discussion Paper text for Tier 1 NFP

Background for Tier 1 not-for-profit reporting

The Accounting Standards Framework (ASF) review considers whether the current Tier 1 not-for-profit (NFP) reporting framework remains appropriate for entities required to apply Tier 1 NFP reporting requirements. Tier 1 NFP entities apply full Public Benefit Entity Standards (PBE Standards).

The review does not explore which entities are required by Acts of Parliament to prepare financial statements, as this is driven by the primary legislation itself and cannot be altered through changes to the ASF. The review also does not consider detailed amendments to individual financial reporting standards. Instead, it considers whether the current Tier 1 NFP reporting framework, or an alternative framework option, is most appropriate for entities required to report in Tier 1.

Tier 1 NFP entities are public benefit entities with public accountability or annual expenses greater than \$33 million. They play a critical role in delivering social, cultural, health, education and community services across New Zealand and are typically economically significant organisations that control substantial resources. General purpose financial reporting enables Tier 1 NFP entities to communicate with users and demonstrate accountability for the stewardship of donated, granted and other resources entrusted to them.

Tier 1 NFPs often operate across multiple locations, programmes or service streams. Some also have complex organisational and group structures, including subsidiaries, controlled entities or international operations. Compared with Tier 2 entities, Tier 1 entities generally have greater access to finance expertise, specialist systems, governance resources and external professional support. As a result, group reporting, consolidation and cross-border reporting considerations may be more significant for Tier 1 NFP entities.

The Public Benefit Entity Conceptual Framework identifies service recipients and resource providers, and their representatives, as the primary users of general purpose financial reports. For Tier 1 NFP entities, resource providers may include government funders, donors, grant providers, lenders and members, while service recipients may include individuals, groups and communities that benefit from the entity's activities. These users rely on general purpose financial reports as a common source of independently prepared information to assess how resources have been obtained, managed and used to deliver public benefit outcomes, and to evaluate accountability, stewardship and financial sustainability. While some users may have access to additional information through funding, governance or regulatory arrangements, general purpose financial reports provide a consistent basis for meeting the information needs of primary users.

Alternative frameworks explored for Tier 1 NFP reporting

We have explored the current PBE Standards based on IPSAS framework alongside selected alternative framework options for mandated Tier 1 NFP entities. These options include INPAS, IFRS, Australian-adapted IFRS framework (NFP) and New Zealand locally modified standards. The options have been selected to test different approaches to balancing comparability, proportionality, operability, domestic flexibility and wider reporting ecosystem implications. Optionality between different frameworks within Tier 1 NFP is also considered as a possible design feature of the overall ASF.

Through our analysis, we have identified all the above-mentioned framework options appropriate to test further with stakeholders for Tier 1 NFP entities. We have outlined an overview of the framework and what the implications may be on Tier 1 NFP entities and stakeholders if such a framework was used. Supporting material in this discussion paper has also been included in the appendices, which includes factsheets on key information around reporting frameworks, an indicative approach summary for locally modified standards and the detailed Tier 1 NFP framework option assessment.

Questions for stakeholders

- **Do you consider that PBE Standards based on IPSAS remains appropriate as the Tier 1 not-for-profit reporting framework? Why or why not, including in relation to comparability, proportionality, operability, and user information needs?**
- **Do you consider that INPAS should be considered as a possible Tier 1 not-for-profit reporting framework? Why or why not, including the implications for proportionality, comparability, group reporting, movement between tiers and transition costs?**
- **Do you consider that IFRS should be considered as a possible Tier 1 not-for-profit reporting framework? Why or why not, including the implications for proportionality, comparability, group reporting, movement between tiers and transition costs?**
- **Do you consider that Australian-adapted IFRS framework (NFP) should be considered as a possible Tier 1 not-for-profit reporting framework? Why or why not, including the implications for proportionality, comparability, group reporting, movement between tiers and transition costs?**
- **Do you consider that locally modified standards approach should be considered as a possible Tier 1 not-for-profit reporting framework? Why or why not, including whether the indicative approach outlined in this paper would help stakeholders understand how such a framework could be developed?**
- **Should Tier 1 not-for-profit entities have optionality to apply alternative reporting framework? If so, in what circumstances should optionality be considered, and what would the implications be for comparability, user understanding, audit consistency, cost, complexity and framework coherence?**
- **Do you have any other comments on alternative reporting frameworks for Tier 1 not-for-profit entities, including any other framework or design features not discussed?**
- **What factors should be given the most weight when assessing the Tier 1 not-for-profit reporting framework — for example, comparability, proportionality, cost, operability, user information needs, group reporting, international alignment, or domestic flexibility?**

Background for Tier 2 not-for-profit reporting

The Accounting Standards Framework (ASF) review considers whether the current Tier 2 not-for-profit (NFP) reporting framework remains appropriate for entities required to apply Tier 2 NFP reporting requirements. Tier 2 NFP entities apply Public Benefit Entity Standards with Reduced Disclosure Requirements (**PBE Standards with RDR**). This framework retains the same recognition, measurement and presentation requirements as full Public Benefit Entity Standards (**PBE Standards**), while providing reduced disclosure requirements.

The review does not explore which entities are required by Acts of Parliament to prepare financial statements, as this is driven by the primary legislation itself and cannot be altered through changes to the ASF. The review also does not consider detailed amendments to individual financial reporting standards. Instead, it considers whether the current Tier 2 NFP reporting framework, or an alternative framework option, is most appropriate for entities required to report in Tier 2.

Tier 2 NFP entities are public benefit entities that do not have public accountability and have annual expenses between \$5 million and \$33 million. They play an important role in delivering public benefit services and are often significant organisations within their communities or sectors. General purpose financial reporting enables Tier 2 NFP entities to communicate with users and demonstrate accountability for the stewardship of donated, granted and other resources entrusted to them.

The Tier 2 population is diverse and includes entities with different legal structures, purposes, operating models, funding sources and reporting capabilities. Compared with Tier 1 NFP entities, Tier 2 entities are more likely to operate with smaller finance teams, fewer specialised resources and more limited reporting infrastructure.

The Public Benefit Entity Conceptual Framework identifies service recipients and resource providers, and their representatives, as the primary users of general purpose financial reports. For Tier 2 not-for-profit entities, resource providers may include government funders, donors, grant providers, lenders and members, while service recipients may include individuals, groups and communities that benefit from the entity's activities. These users rely on general purpose financial reports as a common source of independently prepared information to assess how resources have been obtained, managed and used to deliver public benefit outcomes, and to evaluate accountability, stewardship and financial sustainability. While some users may have access to additional information through funding, governance or regulatory arrangements, general purpose financial reports provide a consistent basis for meeting the information needs of primary users.

Alternative frameworks explored for Tier 2 NFP reporting

We have explored the current PBE Standards based on IPSAS with RDR framework alongside selected alternative framework options for mandated Tier 2 NFP entities. These options include INPAS, IFRS RDR, Australian-adapted IFRS framework (NFP) and New Zealand locally modified standards. The options have been selected to test different approaches to balancing comparability, proportionality, interoperability with Tier 1 NFP, operability, domestic flexibility and wider reporting ecosystem implications. Optionality between different frameworks within Tier 2 NFP is also considered as a possible design feature of the overall ASF.

Through our analysis, we have identified all above-mentioned framework options appropriate to test further with stakeholders for Tier 2 NFP entities. We have outlined an overview of the framework and what the implications may be on Tier 2 NFP entities and stakeholders if such a framework was used. Supporting material in this discussion paper has also been included in

within the Appendix, which includes factsheets on key information around reporting frameworks, an indicative approach summary for locally modified standards and the detailed Tier 2 NFP framework option assessment.

Questions for stakeholders

- **Do you consider that PBE Standards based on IPSAS with RDR remains appropriate as the Tier 2 not-for-profit reporting framework? Why or why not, including in relation to comparability, proportionality, operability, and user information needs?**
- **Do you consider that INPAS should be considered as a possible Tier 2 not-for-profit reporting framework? Why or why not, including the implications for proportionality, comparability, group reporting, movement between tiers and transition costs?**
- **Do you consider that IFRS RDR should be considered as a possible Tier 2 not-for-profit reporting framework? Why or why not, including the implications for proportionality, comparability, group reporting, movement between tiers and transition costs?**
- **Do you consider that Australian-adapted IFRS framework (NFP) should be considered as a possible Tier 2 not-for-profit reporting framework? Why or why not, including the implications for proportionality, comparability, group reporting, movement between tiers and transition costs?**
- **Do you consider that locally modified standards approach should be considered as a possible Tier 2 not-for-profit reporting framework? Why or why not, including whether the indicative approach outlined in this paper would help stakeholders understand how such a framework could be developed?**
- **Should Tier 2 not-for-profit entities have optionality to apply alternative reporting framework? If so, in what circumstances should optionality be considered, and what would the implications be for comparability, user understanding, audit consistency, cost, complexity and framework coherence?**
- **For Tier 2 not-for-profit entities, do you consider that disclosure concessions provide sufficient and effective relief from reporting requirements? Why or why not, and would another form of concessions, like recognition and measurement concessions, be more effective?**
- **Do you have any other comments on alternative reporting frameworks for Tier 2 not-for-profit entities, including any other framework or design features not discussed?**
- **What factors should be given the most weight when assessing the Tier 2 not-for-profit reporting framework — for example, comparability, proportionality, cost, operability, user information needs, group reporting, movement between tiers, international alignment, or domestic flexibility?**

Questions for the Board

- Q4.** Does the Board have any **FEEDBACK** on the proposed information and questions for stakeholders to be included in the public discussion paper on this topic, as outlined in blue text?
- Q5.** Does the Board have any **FEEDBACK** on whether the discussion paper should seek stakeholder views around optionality – the ability to apply an alternative reporting framework, and if so, what the implications would be for comparability, cost, complexity and system coherence?

Appendix contents

The appendices provide supporting material for the analysis in the main paper and are for the Board's consideration. These appendices (in blue text) are proposed to form part of the public discussion paper, subject to Board feedback. The table below summarises the purpose of each appendix.

Appendix	Title	What it contains	Proposed inclusion in public discussion paper
<u>Appendix 1</u>	PBE Standards factsheet	Provides supporting information on IPSAS framework, PBE Standards and PBE Standards RDR.	Include in Discussion Paper
<u>Appendix 2</u>	INPAS factsheet	Provides supporting information about INPAS Accounting Standard as an alternative NFP reporting framework.	Include in Discussion Paper
<u>Appendix 3</u>	IFRS factsheet	Provides supporting information on IFRS Accounting Standards and NZ IFRS RDR as an alternative Tier 2 reporting framework. <i>Same as the factsheet discussed at the August NZASB meeting</i>	Include in Discussion Paper
<u>Appendix 4</u>	Australian standards factsheet	Provides supporting information on Australian Accounting Standards and Australian reduced disclosure requirements (AASB 1060) as an alternative Tier 2 reporting framework.	Include in Discussion Paper
<u>Appendix 5</u>	Locally modified standards – indicative approach	Provides supporting information about a locally modified standards approach and its framework-level implications. <i>Changes to the factsheet discussed at the August NZAB meeting highlighted in blue</i>	Include in Discussion Paper
<u>Appendix 6</u>	Tier 1 NFP entities: framework options analysis	Provides the detailed assessment of each Tier 1 NFP reporting framework option against the framework-level evaluation criteria.	Include in Discussion Paper
<u>Appendix 7</u>	Tier 2 NFP entities: framework options analysis	Provides the detailed assessment of each Tier 2 NFP reporting framework option against the framework-level evaluation criteria.	Include in Discussion Paper
<u>Appendix 8</u>	Financial and operational profile of Tier 1 and Tier 2 registered charities	Provides a high-level overview of the income sources, expenditure patterns, assets and operational characteristics of Tier 1 and Tier 2 registered charities	Not to include in Discussion Paper
<u>Appendix 9</u>	National financial reporting standards and guidance for NFPs	Provides examples of reporting standards and guidance for NFPs developed in other jurisdictions.	Not to include in Discussion Paper

Public Benefit Entity International Public Sector Accounting Standards (PBE Standards)

Fact Sheet

This fact sheet intends to provide an overview of the Public Benefit Entity Standards (PBE Standards) which are primarily based on International Public Sector Accounting Standards (IPSAS) to support the analysis of the Accounting Standards Framework discussion paper.

Overview of the IPSAS framework which is the basis for PBE Standards

What the IPSAS framework is

International Public Sector Accounting Standards (IPSAS) are a globally recognised set of accounting requirements for general purpose financial reports prepared by public sector entities. They are developed by the International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting board supported by the International Federation of Accountants (IFAC). IPSAS is designed to improve transparency, accountability, consistency and comparability of financial reporting across public sector jurisdictions.

IPSAS®

At a glance

PBE Standards provide a comprehensive framework for public sector accountability and decision-making, supporting internationally comparable financial reports for governments and other public sector entities. However, it involves complexity and implementation costs for preparers.

Who IPSAS is mainly designed for

IPSAS is primarily designed for governments and other public sector entities, including national and local governments and related government agencies. IPSAS focuses on meeting the information needs of a broad set of users of public sector financial reports, including taxpayers, ratepayers, legislators, service recipients, resource providers and their representatives, and creditors who rely on financial information for accountability and decision-making purposes.

IPSAS is an international public sector benchmark

IPSAS is widely recognised internationally as the leading framework for accrual-based public sector financial reporting. Based on IPSASB adoption data, 117 jurisdictions apply either accrual or partial accrual accounting. Of these jurisdictions, 77 use IPSAS, modified IPSAS, or national standards that refer to IPSAS Standards. As a result, IPSAS is often used as an international benchmark for financial reporting in the public sector.

Key characteristics of the IPSAS framework

- Builds upon IFRS Accounting Standards while addressing public sector-specific circumstances.
- Principles-based requirements rather than highly prescriptive rules-based accounting treatments.
- Strong focus on professional judgement and reflecting the economic substance of transactions and events. Accrual accounting, with financial statements reflecting transactions and events when they occur rather than only when cash is received or paid.
- A mixed measurement model using historical cost in some areas and current value measures in others.
- Extensive presentation and disclosure requirements intended to help users understand recognised amounts, risks, assumptions, estimates and significant judgements.

PBE Standards are based on IPSAS and tailored for New Zealand

In New Zealand, the XRB issues Public Benefit Entity International Public Sector Accounting Standards (**PBE Standards**) for Tier 1 and Tier 2 public benefit entities (**PBEs**) which include public sector and not-for-profit entities. PBE Standards are primarily based on IPSAS issued by the IPSASB, but the NZASB modify requirements where necessary to improve their relevance and applicability in New Zealand. These modifications may include adding guidance to reflect New Zealand legislation and regulatory requirements or providing additional guidance for not-for-profit entities as IPSAS is designed for public sector entities.

How PBE Standards works in practice

PBE Standards set requirements for recognition, measurement, presentation and disclosure.

Recognition requirements determine what items are reported

Recognition determines when assets, liabilities, revenue and expenses are included in the financial statements, while measurement determines the amounts at which they are reported. Recognition depends on whether the item meets the applicable definition and recognition criteria and provides information that faithfully represents the underlying transaction or event.

Measurement requirements determine how reported items are valued

Measurement determines the amounts at which assets, liabilities, revenue and expenses are reported. PBE Standards use a mixed measurement model that is most appropriate to the nature of the item, meaning some items are measured using historical cost while others use current value measures such as fair value, amortised cost, revalued amount, or the lower of cost and net realisable value.

Presentation and disclosure requirements help communicate items to users

Presentation requirements determine how information is organised and displayed within financial reports by setting out requirements for how assets, liabilities, revenue and expenses are classified, grouped and presented to support understandability and comparability. Disclosure requirements provide additional information about recognised and unrecognised items, supplementary information, risks, assumptions, estimates, judgements and methods used in preparing the financial statements.

New Zealand reduced-disclosure context

In New Zealand, Tier 2 PBEs apply PBE Standards with Reduced Disclosure Requirements (**PBE Standards with RDR**), which retains the same recognition and measurement requirements but with fewer disclosures.

PBE Standards are not a single accounting standard

PBE Standards are a broader reporting framework made up of several components that work together to support consistent and comparable financial reporting. The PBE Standards framework includes:

- **PBE Standards based on IPSAS** – Standards issued by the NZASB that are primarily based on IPSAS and adapted where necessary for New Zealand circumstances.
- **Other PBE Standards** – Standards issued by the XRB for topics not covered by IPSAS or where New Zealand-specific requirements are needed, including standards based on for-profit standards (such as PBE IAS 12 *Income Taxes*) and other local reporting requirements (such as PBE FRS 48 *Service Performance Reporting*).
- **The PBE Conceptual Framework** – Overarching concepts that support the development and application of PBE Standards, including principles relating to recognition, measurement and presentation.
- **Supporting guidance and educational material** – Additional non-mandatory material published by the IPSASB, XRB and IASB to support consistent application and understanding of PBE standards.

International Non-Profit Accounting Standard (INPAS)

Fact Sheet

This fact sheet intends to provide an overview of the INPAS standard to support the analysis of the Accounting Standards Framework discussion paper.

Overview of the INPAS framework

What INPAS is

The International Non-Profit Accounting Standard (**INPAS**) is an international financial reporting framework issued by International Non-Profit Reporting Foundation (**INPRF**). It is designed specifically for non-profit organisations (**NPOs**).

INPAS establishes a common financial reporting framework for NPOs that improves transparency, accountability, comparability and decision-usefulness of financial reports. The framework builds on International Financial Reporting Standards for Small and Medium-Sized Entities (**IFRS for SMEs**) and also draws on International Public Sector Accounting Standards (**IPSAS**) in some areas, while adapting them to reflect the characteristics, transactions and reporting needs of NPOs.

Who INPAS is mainly designed for

INPAS is designed primarily for small and medium-sized NPOs, but it intends to be relevant to a broad range of NPOs. INPAS has an initial focus on those NPOs where accrual-based financial reporting is needed to recognise and measure assets and liabilities and a range of more complex transactions and activities.

Emerging international framework untested in practice

INPAS is newly developed and published only in October 2025 and is not currently used by any NPO globally for their financial reporting. While one jurisdiction has announced adoption from 1 January 2028 and some other jurisdictions are currently considering INPAS for their local reporting requirements, the framework is yet to be tested or implemented at a large scale or benefit from application support and refinements over time.

INPAS is a single standard

INPAS is built around a single accounting standard supplemented by implementation guidance and other supporting materials designed to promote consistent application and comparable financial reporting. The INPAS framework includes:

- **INPAS Standard** – (approx. 300 pages) Standard issued by the INPRF in October 2025, organised into sections such as (*Concepts and principles (A), Revenues (C) etc*).
- **INPAS Implementation Guidance** – (approx. 180 pages) Additional non-mandatory material published by the INPRF to support consistent application and understanding of the INPAS standard.



At a glance

INPAS is the first international financial reporting standard developed specifically for not-for-profit entities. It provides simplified financial reporting framework intended to support a wide range of not-for-profit entities. However, the standard is newly issued and has not yet been widely tested in practice and may result in unanticipated challenges.

How INPAS works in practice

INPAS contains simplified recognition and measurement requirements (based on the IFRS for SMEs Standard), includes limited accounting policy options, and does not require the use of fair value measurement in some areas and contains limited disclosure requirements. Compared to full IPSAS Standards, the requirements are streamlined and not designed to impose complex requirements for simple transactions.

INPAS is developed and maintained by the INPRF, who follows a formal due process involving stakeholder engagement, public consultation and exposure drafts when developing or amending the Standard. In general, it is expected that updates to INPAS will be made less frequently than updates to full IPSASB Standards. While the first edition of INPAS addressed NPO-specific topics prioritised from the 2021 Consultation paper, subsequent editions will address additional topics. These will be determined through a public consultation.

High-level comparison of INPAS and IPSAS reporting frameworks

Area	INPAS	PBE Standards based on IPSAS
Approach	Simplified accounting requirements with certain judgements and fair value requirements reduced.	Often considered to be principles-based to allow for faithful representation of simple and complex transactions.
International use	Newly issued framework – untested in practice and may require refinements once implementation occurs.	PBE Standards are based on IPSAS which are adopted internationally across several jurisdictions.
Global comparability	Seeks to improve comparability of financial reporting across NPOs internationally.	Designed to support international comparability.

Illustrative approaches for recognition and measurement (non-exhaustive):

Financial Statement Line Item	INPAS	PBE Standards based on IPSAS
Revenue	Differentiate between: - grants, donations, gifts and similar transfers – recognition and measurement largely aligned with IPSAS 47 <i>Revenue</i>; and - revenue from contracts with customers (such as providing services, goods or other assets to customers) – revenue is recognised when or as the entity satisfies delivery obligations. Requires recognition of services in kind that are critical to an NPO's mission.	PBE Standards differentiate between revenues <u>from non-exchange transactions</u> – revenue is recognised when or as present obligations are satisfied or immediately if there are no such obligations <u>from exchange transactions</u> – revenue recognition depends on type of revenue and <u>from construction contracts</u> Does not require recognition of services in kind that are critical to an NPO's mission.
Expenses	Accounting for grants and donations largely aligned with IPSAS 48 <i>Transfer Expenses</i> – differentiates expenses from transactions without and with fulfilment rights.	Various IPSASB-based standards – There is no specific standard for transfer expenses. ²⁹
Property, plant and equipment (e.g. land and buildings)	Generally measured using either a historical cost model or a revaluation model, adjusted for depreciation. Impairment assessments limited to reviewing indicators.	Generally measured using either a historical cost model or a revaluation model. Impairment assessments required in some situations.

²⁹ The proposed PBE IPSAS 48 *Transfer Expenses* – differentiates between expenses from transactions without and with binding arrangements.

Leases (lessee)	Requirements for both finance and operating leases. Finance leases are recognised on balance sheet, while operating lease payments are recognised as an expense over the lease term.	Requirements for both finance and operating leases. Finance leases are recognised on balance sheet, while operating lease payments are recognised as an expense over the lease term.
Inventories	Measured at the lower of cost and selling price less costs to complete and sell. Inventories acquired through donation measured initially at fair value. Allows certain types of donated inventory to not be recognised until it is sold, used or distributed to service recipients. Reversals of inventory write-downs may be required in some circumstances.	Generally measured at the lower of cost and net realisable value, except certain inventories are measured at cost, adjusted for any loss of service potential. Inventories acquired through a non-exchange transaction measured initially at fair value, with exemptions for certain types of inventories. Reversals of inventory write-downs may be permitted.
Intangible assets	Generally measured at cost less amortisation and impairment. Revaluation is not permitted.	Generally measured at historical cost less amortisation and impairment. Revaluation permitted only where an active market exists.
Goodwill	Goodwill is amortised over its useful life (maximum 10-year period).	Amortisation is prohibited and tests for impairment must be performed annually.
Financial instruments	Basic financial instruments are measured at amortised cost using the effective interest method. Complex financial instruments are measured at fair value through surplus or deficit.	Measured using amortised cost, fair value through Other Comprehensive Revenue and Expense (OCRE) or fair value through surplus or deficit depending on classification. Certain assets are subject to expected credit loss requirements.
Narrative information	INPAS requires narrative information covering: • Overview of the NPO; • Performance reporting; • Financial objectives and strategies; • Analysis of financial statements; • Principal risks and uncertainties.	PBE Standards do not require disclosure of financial objectives and strategies and analysis of financial statements. Other information required by INPAS is also broadly required by PBE Standards. <i>PBE FRS 48 Service Performance Reporting</i> provides detail guidance for performance reporting and an overview of not-for-profit entity.
Net Assets	Requires transparency regarding donor restrictions and designated funds. Provides guidance about restricted and unrestricted funds. Doesn't have the concept of OCRE.	Limited guidance on restricted and unrestricted funds. Requires presentation of OCRE.
NPO specific guidance	INPAS includes guidance on NPO-specific activities, such as fundraising costs, services provided by volunteers, benefits received by volunteers, and donated goods.	Limited guidance specific to volunteer services, fundraising and donated goods.

Other areas not covered within INPAS

There are also several areas where PBE Standards contain requirements which are not within INPAS but may still be helpful to some PBEs. These include, but are not limited to:

- Insurance contracts;
- Service concession arrangements (operator);
- Non-current assets held for sale and discontinued operations; and
- Interim financial reporting, prospective financial statements and summary financial statements.

International Financial Reporting Standards (IFRS)

Fact Sheet

This fact sheet intends to provide an overview of the International Financial Reporting Standards Accounting Standards to support the analysis of the Accounting Standards Framework discussion paper.

Overview of the IFRS framework

What the IFRS framework is

International Financial Reporting Standards (IFRS) Accounting Standards are a globally recognised set of accounting requirements for general purpose financial statements. They are developed by the International Accounting Standards Board (IASB), within the IFRS Foundation. IFRS is designed to improve transparency, consistency and comparability of financial reporting across jurisdictions.



At a glance

IFRS provides a comprehensive framework for public accountability to international investors, where users rely on high-quality, globally comparable information for capital-allocation decisions, but comes with complexity and reporting costs.

Who IFRS is mainly designed for

IFRS is primarily designed for publicly accountable entities, especially listed entities and other entities whose financial statements are used by investors, lenders and other capital-market participants. In many jurisdictions, IFRS forms the main reporting framework for these entities.

IFRS is an international benchmark

IFRS is widely used internationally and is designed to support comparability across jurisdictions. The IFRS Foundation currently has complete profiles for 169 jurisdictions, of which 148 jurisdictions require IFRS Accounting Standards for all or most domestic publicly accountable entities, 12 permit their use for at least some domestic publicly accountable entities, and 161 have made a public commitment to IFRS Accounting Standards. As a result, IFRS is often used as an international benchmark for accounting.

Key characteristics of the IFRS framework

- Principles-based requirements rather than highly prescriptive rules-based accounting treatments.
- Strong focus on professional judgement and reflecting the economic substance of transactions and events.
- Accrual accounting, with financial statements reflecting transactions and events when they occur rather than only when cash is received or paid.
- A mixed measurement model using historical cost in some areas and current value or fair value in others.
- Extensive presentation and disclosure requirements intended to help users understand recognised amounts, risks, assumptions, estimates and significant judgements.

How IFRS works in practice

IFRS sets requirements for recognition, measurement, presentation and disclosure.

Recognition requirements determine what items are reported

Recognition determines when assets, liabilities, income and expenses are included in the financial statements, while measurement determines the amounts at which they are reported. Recognition depends on whether the item provides useful information that faithfully represents the economic substance of the transaction.

Measurement requirements determine how reported items are valued

Measurement determines the amounts at which assets, liabilities, income and expenses are reported. IFRS uses a mixed measurement model most appropriate to the nature of the item, meaning some items are measured using historical cost while others use current value measures such as fair value, amortised cost, recoverable amount, or the lower of cost and net realisable value. Specific measurement requirements are specified for each type of asset and liability which an entity may hold and these vary based on what users would consider to be relevant information for that type of asset or liability.

Presentation and disclosure requirements help communicate items to users

IFRS includes presentation and disclosure requirements intended to help users understand financial performance, position, risks, assumptions and significant judgements. Presentation requirements determine how information is organised and displayed within the financial statements by setting out requirements for how assets, liabilities, income and expenses are classified, grouped and presented to support understandability and comparability.

Disclosure requirements provide additional information about recognised and unrecognised items, supplementary information, risks, assumptions, estimates, judgements and methods used in preparing the financial statements.

New Zealand reduced-disclosure context

In New Zealand, Tier 2 for-profit entities apply NZ IFRS with Reduced Disclosure Requirements (**NZ IFRS RDR**), which retains the same recognition and measurement requirements as full NZ IFRS but with fewer disclosures.

IFRS 19 *Subsidiaries without Public Accountability: Disclosures*, a voluntary IFRS standard, provides alternative reduced disclosures for eligible subsidiaries without public accountability where the parent prepares publicly available consolidated financial statements.

IFRS is not a single accounting standard

IFRS is not a single accounting standard – It is a broader reporting framework made up of several components that work together to support consistent and comparable financial reporting. The IFRS framework includes:

- **IFRS Accounting Standards** – Standards issued by the IASB after its establishment in 2001, such as IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*).
- **International Accounting Standards (IAS Standards)** – Earlier standards issued before the IFRS Foundation was rebranded, many of which remain in force today, such as IAS 38 *Intangible Assets*.
- **IFRIC and SIC Interpretations** – Interpretative guidance clarifies the application of requirements in specific situations.
- **The Conceptual Framework** – Overarching concepts that support the development and application of IFRS, including principles relating to recognition, measurement and presentation.
- **Supporting guidance and educational material** – Additional non-mandatory material published by the IFRS Foundation and IASB to support consistent application and understanding of the standards.

Australian Accounting Standards (AASB Standards) Fact Sheet

This fact sheet intends to provide an overview of the Australian Accounting Standards to support the analysis of the Accounting Standards Framework discussion paper.

Overview of the AASB framework

What AASB Standards are

Australian Accounting Standards (**AASB Standards**) are the principal accounting requirements used for preparing general purpose financial statements in Australia. They are issued by the Australian Accounting Standards Board (**AASB**)³⁰.

The AASB Standards are based on International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**) but include additional requirements and modifications where necessary to address Australian legislative, regulatory and not-for-profit reporting needs. AASB Standards maintain a strong connection with the international IFRS framework.

Who AASB Standards are mainly designed for

AASB Standards apply to a broad range of entities, including for-profit entities, public sector entities and private sector not-for-profit entities. For publicly accountable for-profit entities, the requirements are substantially aligned with IFRS.

For public sector and private sector not-for-profit entities (**NFP entities**), the AASB has adapted and supplemented the IFRS-based requirements to address transactions and circumstances that are more common in the NFP sector.

References to 'NFP entities' in this factsheet include both public sector and private not-for-profit entities, in line with the scope used in Australia, and is broadly comparable to 'Public Benefit Entities' (**PBEs**) in New Zealand.

How AASB Standards work in practice

AASB Standards incorporate the recognition and measurement requirements of IFRS Accounting Standards for for-profit entities and include Australian-specific requirements and guidance where necessary. For NFP entities, the AASB has modified several standards and added Australian-specific standards to address transactions and circumstances that are common for NFP entities, such as grants, donations, volunteer services and concessionary leases. The AASB generally updates its standards in response to changes made by the IASB while also considering Australian-specific reporting needs.



Australian Government

Australian Accounting Standards Board

At a glance

AASB Standards are based on IFRS Standards and adapted where necessary for the Australian context, including modifications and additional requirements for not-for-profit entities. The single reporting framework supports high-quality reporting for all entities, but can involve significant complexity and compliance costs, particularly for smaller entities.

³⁰ From 1 October 2026, the AASB will become part of External Reporting Australia (ERA), a new single body that combines Australia's accounting, auditing, assurance and sustainability standard-setting functions.

Australian reduced-disclosure context

In Australia, Tier 2 entities may apply reduced disclosure requirements under AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (AASB 1060)*. AASB 1060 retains the same recognition and measurement requirements as the applicable AASB Standards but significantly reduces disclosure requirements.

In developing AASB 1060, the AASB used the IFRS for SMEs Accounting Standard as its primary starting point when determining which disclosures should be required for smaller entities. However, unlike IFRS for SMEs, AASB 1060 does not adopt separate recognition and measurement requirements.

High-level comparison of AASB Standards and IPSAS reporting frameworks

Area	Australian-adapted IFRS framework (NFP)	PBE Standards based on IPSAS
Approach	Based on IFRS standards with specific modifications in some areas for NFP entities	PBE Standards are primarily based on IPSAS, which are developed specifically for the public sector, reflecting common public sector transactions, user needs and accountability relationships. Some IPSAS are based on IFRS, but the IPSASB considers suitability for the public sector and makes public sector modifications when required. Other IPSAS cover topics not addressed by IFRS
International use	NFP-specific modifications applicable to Australian NFP entities only	Adopted internationally across several other jurisdictions.
Global comparability	NFP-specific modifications designed for Australian NFP entities, but considers other international frameworks such as IPSAS	Designed to support international comparability

Illustrative approaches for measurement:

Financial Statement Line Item	Australian-adapted IFRS framework (private sector NFP)	PBE Standards based on IPSAS
Revenue	Revenue from contracts with customers (such as providing services, goods or other assets to customers) is based on IFRS 15 – revenue is recognised when or as the entity satisfies performance obligations) For NFP entities, contracts that are unenforceable or not sufficiently specific – revenue is recognised immediately on recognising the asset received with some exceptions	PBE Standards differentiate between revenues ³¹ - from non-exchange transactions – revenue is recognised when or as present obligations are satisfied or immediately if there are no such obligations - from exchange transactions – revenue recognition depends on type of revenue and - from construction contracts
Expenses	Various IFRS-based standards – There is no specific standard for transfer expenses.	Various IPSASB-based standards – There is no specific standard for transfer expenses. ³²

³¹ The NZASB has proposed PBE IPSAS 47 *Revenue*, which would supersede PBE IPSAS 9 *Revenue from Exchange Transactions*, PBE IPSAS 11 *Construction Contracts* and PBE IPSAS 23 *Revenue from Non-Exchange Transactions*. The proposed standard would introduce a single source of revenue guidance for Tier 1 and Tier 2 PBEs, with two accounting models depending on whether a binding arrangement exists. Consultation closed on 1 December 2025 and the proposed mandatory date is 1 January 2029.

³² The proposed PBE IPSAS 48 *Transfer Expenses* – differentiates between expenses from transactions without and with binding arrangements.

Property, plant and equipment (e.g. land and buildings)	Generally measured using either a historical cost model or a revaluation model, adjusted for depreciation. NFP-specific requirements to measure PPE on initial recognition at fair value, if the consideration for the asset is significantly less than fair value. There is limited guidance for impairment of non-cash generating assets.	Generally measured using either a historical cost model or a revaluation model, adjusted for depreciation. Requirements to measure PPE on initial recognition at fair value, if the asset was acquired in a non-exchange transaction (where reliable estimates can be made). PBE IPSAS 21 provides guidance for impairment of non-cash-generating assets.
Intangibles	Generally measured at historical cost less amortisation and impairment. Revaluation permitted only where an active market exists.	Generally measured at historical cost less amortisation and impairment. Revaluation permitted only where an active market exists.
Inventories	Generally measured at the lower of cost and net realisable value, except that inventories held for distribution by NFPs at no or nominal considerations in the ordinary course of the operations, are measured at cost, adjusted when applicable for any loss of service potential. NFP-specific requirements to measure inventory on initial recognition at 'current replacement cost', if the consideration for those inventories is significantly less than fair value.	Generally measured at the lower of cost and net realisable value, except that inventories held for distribution at no charge or at nominal charge are measured at cost, adjusted for any loss of service potential. Inventories acquired through a non-exchange transaction are initially measured at fair value.
Financial instruments	Aligned with IFRS requirements around financial instruments.	Largely aligned with IFRS requirements around financial instruments.
Leases (lessee)	For most leases, lessees recognise a right-of-use asset and lease liability. No finance and operating lease distinction. NFP lessees may elect to measure a right-of-use asset at fair value (instead of cost) on initial recognition, when the terms are significantly below-market.	Requirements for both finance and operating leases. Finance leases are recognised on balance sheet, while operating lease payments are recognised as an expense over the lease term.
Service Performance Reporting	No reporting requirements for service performance information.	PBE FRS 48 <i>Service Performance Reporting</i> provides guidance for performance reporting, including overview of not-for-profit entity.

Appendix 5 – Locally modified standards – Indicative approach

Consider locally modified standards

Locally modified standards could improve relevance for some New Zealand entities by allowing requirements to be adapted to the local operating environment, including domestic, legal, regulatory and reporting settings. These possible benefits would need to be considered alongside the benefits of international alignment, including comparability, shared standard-setting infrastructure, and access to international guidance and implementation support.

For a small jurisdiction such as New Zealand, one possible approach could be to start with an established international or foreign framework and then consider targeted modifications where needed for New Zealand conditions. This appendix outlines, in broad terms, what that could involve.

Understanding the purpose of locally modified standards

The purpose of locally modified standards would be to adapt an established set of requirements, so they reflect New Zealand user needs and the local legal, regulatory and reporting environment. Depending on the design of the framework, modifications could affect recognition, measurement, presentation and disclosure requirements.

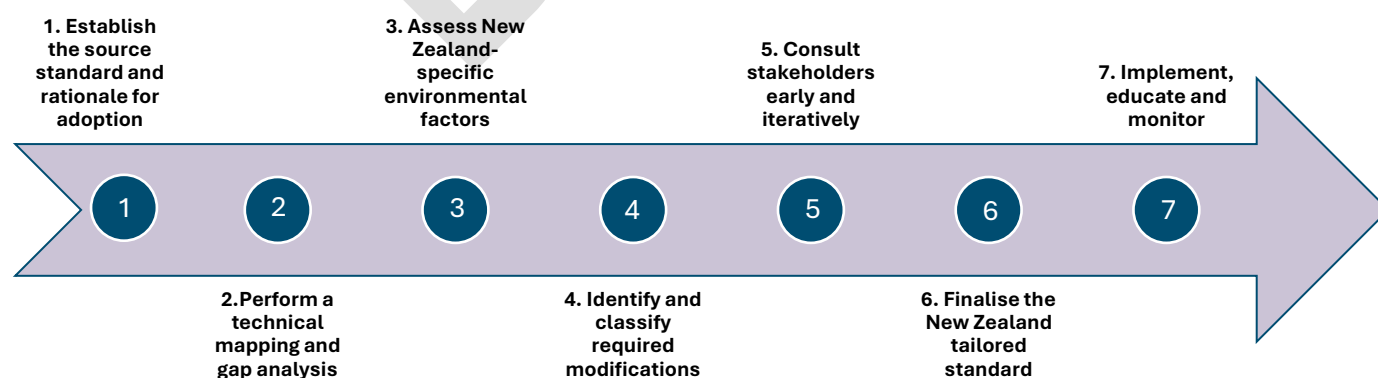
The importance of international comparability may differ across tiers. Locally modified standards may be more relevant where international capital market comparability is less central, but any move away from international standards could reduce comparability and access to international guidance and practice.

Outline of the possible process

This appendix outlines an indicative process that could be used if New Zealand were to develop accounting standards using another jurisdiction's requirements as a starting point and then consider whether modifications are needed for the New Zealand context.

It is included to help stakeholders understand what a locally modified approach could involve. Any such approach would need to balance domestic relevance and operability with comparability, timeliness, and the ability to rely on international due process, guidance and implementation experience.

Indicative steps to follow when developing this framework



1. Establish the source standard and rationale for adoption

Based on an established understanding of the New Zealand environment and user needs, an initial step is to identify the standard/framework that would serve as the starting point and to explain why it is considered the most appropriate base. The source standard could be a general-purpose or special-purpose reporting framework and could differ depending on the sector or type of transaction, and would need to consider other potential implications with the source standard, such as **licensing agreements** and maintenance processes.

Relevant considerations might include:

- Alignment with New Zealand's environmental factors and its size, scale and complexity;
- The maturity, credibility, and stability of the source jurisdiction's standard;
- Global best practices and developments;
- Whether the source standard addresses the reporting issue more comprehensively than existing NZ standards; i.e. simplified standards and easier recognition and measurement principles;
- Whether there are any **licensing agreements**, development, maintenance, comparability and transition challenges.

2. Perform a technical mapping and gap analysis

A further step would be to understand the content of the source standard and identify where modification may be needed for New Zealand. This could be analysed through a gap analysis. Activities might include:

- Mapping each section of the source standard to existing NZ standards or frameworks;
- Identifying conceptual differences with the objective of the NZ Accounting Standards Framework;
- Assessing terminology differences (e.g., references to foreign regulators, legal constructs, or sector structures); and
- Identifying areas where the source standard presumes institutional arrangements which do not exist in New Zealand.

3. Assess New Zealand-specific environmental factors

The next step would be to consider which aspects of the New Zealand environment may warrant tailoring. Indicative factors might include:

- **Legal and regulatory context:** Companies Act 1993, Public Finance Act 1989, Crown Entities Act 2004, Local Government Act 2002, Financial Markets Conduct Act 2014, Charities Act 2005, and other relevant for-profit, public sector and not-for-profit specific legislative requirements
- **Public sector structure:** Distinctive features of the Crown, local government, Māori entities, and mixed-ownership models.
- **Economic characteristics:** Size of capital markets, prevalence of small-to-medium sized enterprises, cooperative structures, iwi organisations.
- **User needs:** Taxpayers, ratepayers, service recipients, resource providers and their representatives, investors, donors, funders and lenders where relevant, public accountability requirements.
- **Existing NZ reporting tiers:** Whether the standard must be adapted for multi-tier reporting.

4. Identify and classify required modifications

The nature and extent of any changes to the source standard would then need to be considered. Possible categories of modification could include:

- **Editorial changes:** Terminology, references to NZ law, definitions.
- **Scope adjustments:** Applicability to NZ reporting tiers and sectors or to allow for more cost-effective reporting.
- **Recognition and measurement changes:** Necessary to allow for simplification, maintain relevance or coherence with other NZ reporting frameworks or to allow for more cost-effective reporting.
- **Disclosure modifications:** Additional or reduced disclosures to reflect NZ user needs or to allow for more cost-effective reporting.
- **Transitional provisions:** Tailored effective dates or reliefs for NZ entities or to allow for more cost-effective reporting.

Any modifications would need to be supported by a clear rationale, including why a change is considered necessary to maintain relevance, coherence or operability in New Zealand. A key consideration would be whether any change improves cost-effectiveness without undermining the accountability and decision-making usefulness of information for users of financial statements. These modifications will also keep simplification in mind.

Focus on key considerations

In considering whether a source standard should be modified for New Zealand, the main questions are likely to be whether the requirements fit New Zealand law and institutions, reflect the needs of New Zealand users, are proportionate to the size and complexity of affected entities, and remain sufficiently aligned with international practice where comparability is important.

These considerations could apply across recognition, measurement, presentation and disclosure. They could also include whether the requirements are practical to apply in New Zealand, whether suitable data and systems are available, and whether any change would improve cost-effectiveness without reducing the usefulness of the information provided.

Overarching assessment principles

The following indicative New Zealand specific considerations could be asked to assess whether any requirements should be modified:

- **User-needs alignment** – Does the requirement provide information that primary users of NZ financial statements need? Are the information needs of NZ users (investors, creditors, iwi/Māori entities, public sector stakeholders, NFP donors) different from those assumed in the foreign standard?
- **Cost-benefit proportionality** – Are compliance costs reasonable relative to the benefits for NZ users? Do the requirements suit the size and nature of small and medium entities within NZ, or would smaller entities face disproportionate burdens?
- **Domestic legal and regulatory fit** – Does the requirement align with NZ legislation, or are there conflicts with NZ-specific regulatory definitions (e.g., public accountability, large entity thresholds)?
- **International harmonisation** – Would modifying the requirement undermine comparability with international entities where this is considered valuable for those users of financial statements? Is the modification necessary despite reduced comparability?
- **Climate-related and non-financial reporting integration** – Does the requirement create any conflicts with other NZ reporting frameworks (e.g. climate-related disclosure framework)?

Criteria for modifying **Recognition** requirements

Recognition criteria determine **whether** an item appears in the financial statements. The following indicative questions could be asked to assess whether recognition requirements should be modified:

- **Economic substance in NZ Context** – Does the recognition requirement reflect NZ economic conditions (e.g., prevalence of small entities, Māori land trusts, cooperatives)? Are NZ-specific transactions sufficiently captured?
- **Materiality and Practicality** – Would recognition rules create immaterial or misleading results for NZ entities? Is the recognition test too complex for smaller entities?
- **Faithful Representation** – Would applying the recognition requirements distort NZ-specific arrangements (e.g., revenue recognition for NFP grants)?

Criteria for modifying **Measurement** requirements

Measurement requirements determine how items are valued. The following indicative questions could be asked to assess whether measurement requirements should be modified:

- **Availability of Reliable NZ-Specific Inputs** – Are inputs readily available in NZ markets to allow for the measurement requirements to be practical? Do thin or illiquid NZ markets make measurement models impractical?
- **Cost Burden** – Does the measurement basis impose excessive valuation costs (e.g., annual revaluations for small entities)?
- **Relevance to NZ Users** – Would a simpler measurement basis (e.g., cost instead of fair value) still meet user needs?

Criteria for modifying **Presentation** requirements

Presentation determines how information is structured and displayed. The following indicative questions could be asked to assess whether presentation requirements should be modified:

- **Compatibility with NZ reporting practices** – Do the presentation requirements impose additional costs to NZ entities?
- **Understandability for NZ users** – Would NZ users find the presentation requirements intuitive and useful?
- **New Zealand applicability** – Do presentation requirements designed for international markets make sense for New Zealand reporting entities?

Criteria for modifying **Disclosure** requirements

Disclosure requirements provide additional supplementary information to support users' decision-making. The following indicative questions could be asked to assess whether disclosure requirements should be modified:

- **User relevance in NZ** – Do NZ users need the level of granularity required by the disclosure requirements?
- **Avoiding boilerplate overload** – Would the disclosure requirement lead to generic, low-value statements?
- **New Zealand specific considerations** – Should disclosures reflect NZ's context (e.g., stewardship of taonga assets, tikanga-based governance)?

5. Consult stakeholders early and iteratively

Stakeholder input would be an important part of any locally modified approach. For example, a domestic exposure draft of proposed requirements could be developed and tested with groups such as:

- Relevant preparers (corporates, small-to-medium enterprises, public sector entities, not-for-profit entities);
- Auditors and professional bodies;

- Investors, analysts, and public sector users;
- Sector-specific groups; and
- Regulators and other stakeholders (Financial Markets Authority, Treasury, Department of Internal Affairs, The Audit Office).

6. Finalise the New Zealand-tailored standard

Following consultation, the standard could then be finalised in a way that remains faithful to the source framework while being operable in New Zealand. This could involve steps such as:

- Incorporating stakeholder feedback;
- Ensuring internal consistency with the New Zealand Accounting Standards Framework;
- Conducting a final legal and technical review;
- Preparing 'Basis for Conclusions' explaining why the source standard was chosen, what modifications were made and why and how NZ-specific factors were addressed; and
- Approving through the XRB's formal due-process steps.

7. Implement, educate and monitor

If a locally modified standard were introduced, implementation support and ongoing monitoring would also be important. Depending on the nature of the standard and the range of affected entities, this might include:

- Publishing implementation guidance, FAQs, and illustrative examples;
- Conducting outreach sessions and webinars;
- Monitoring early application issues; and
- Establishing a post-implementation review timeline (typically 3-5 years after the effective date of the requirements).

Consider the potential advantages

Better flexibility to domestic user needs	A locally modified approach could allow greater flexibility to respond to New Zealand user needs, including where targeted simplifications or additional disclosures are considered appropriate.
Tailored to New Zealand's economic characteristics	Locally modified standards could better reflect the size, structure and reporting context of New Zealand entities, including small and medium-sized entities, cooperatives and public benefit entities, which could lower overall costs within the system.
Stronger alignment with New Zealand's legal and institutional environment	Locally modified standards could be aligned more closely with New Zealand legislation and institutional arrangements. This may reduce ambiguity where source standards refer to legal or regulatory concepts that do not apply in New Zealand.
Enhanced sovereignty and public trust	Local development could increase stakeholder input into standard-setting and may support confidence that standards reflect New Zealand circumstances and priorities.

Consider the potential disadvantages

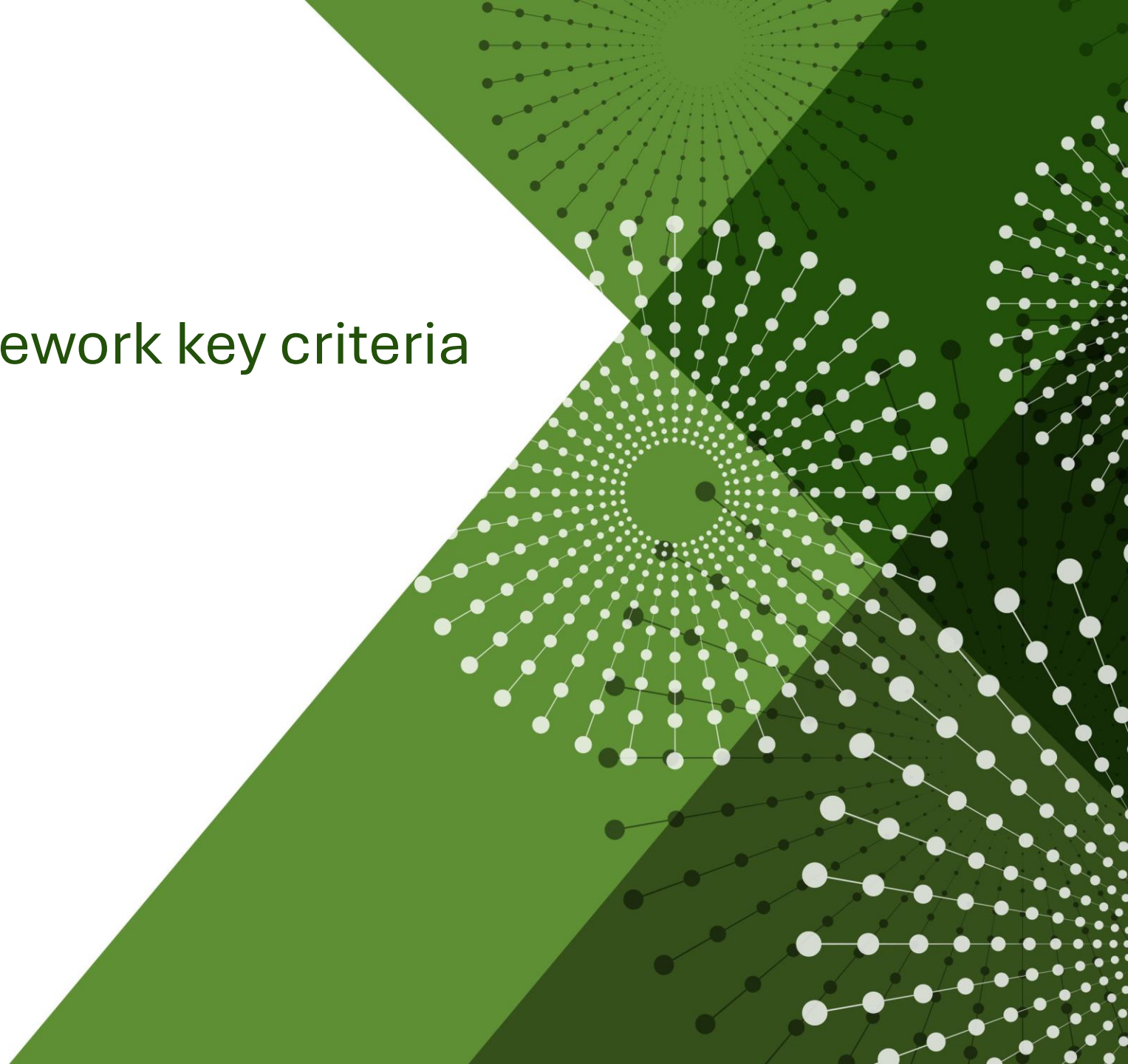
Reduced international comparability	Locally modified standards may reduce comparability with entities applying international frameworks. This may matter more where users place weight on international comparability, credibility or access to international guidance and practice.
Higher development and maintenance costs	Developing and maintaining locally modified standards would require technical analysis, consultation, drafting and ongoing review. Compared with direct adoption of international standards, this would increase demands on standard-setting resources. It may also take longer to consider, adapt and issue updated requirements in New Zealand.
System and infrastructure challenges	If local requirements diverge from widely used international frameworks, entities and service providers may need additional guidance, training or system changes. Divergence may also reduce the ability to use common international tools or practices without adaptation.
Slower adoption of global best practice	International standard setters undertake research, consultation, due process and post-implementation activity across multiple jurisdictions. A locally modified approach may reduce the extent to which New Zealand can rely directly on that infrastructure.
Risk of over-tailoring	Tailoring can improve local fit, but additional modifications can also increase complexity and make standards harder to maintain over time.

Appendix 6 – Tier 1 not-for-profit entities: framework options analysis

Note:

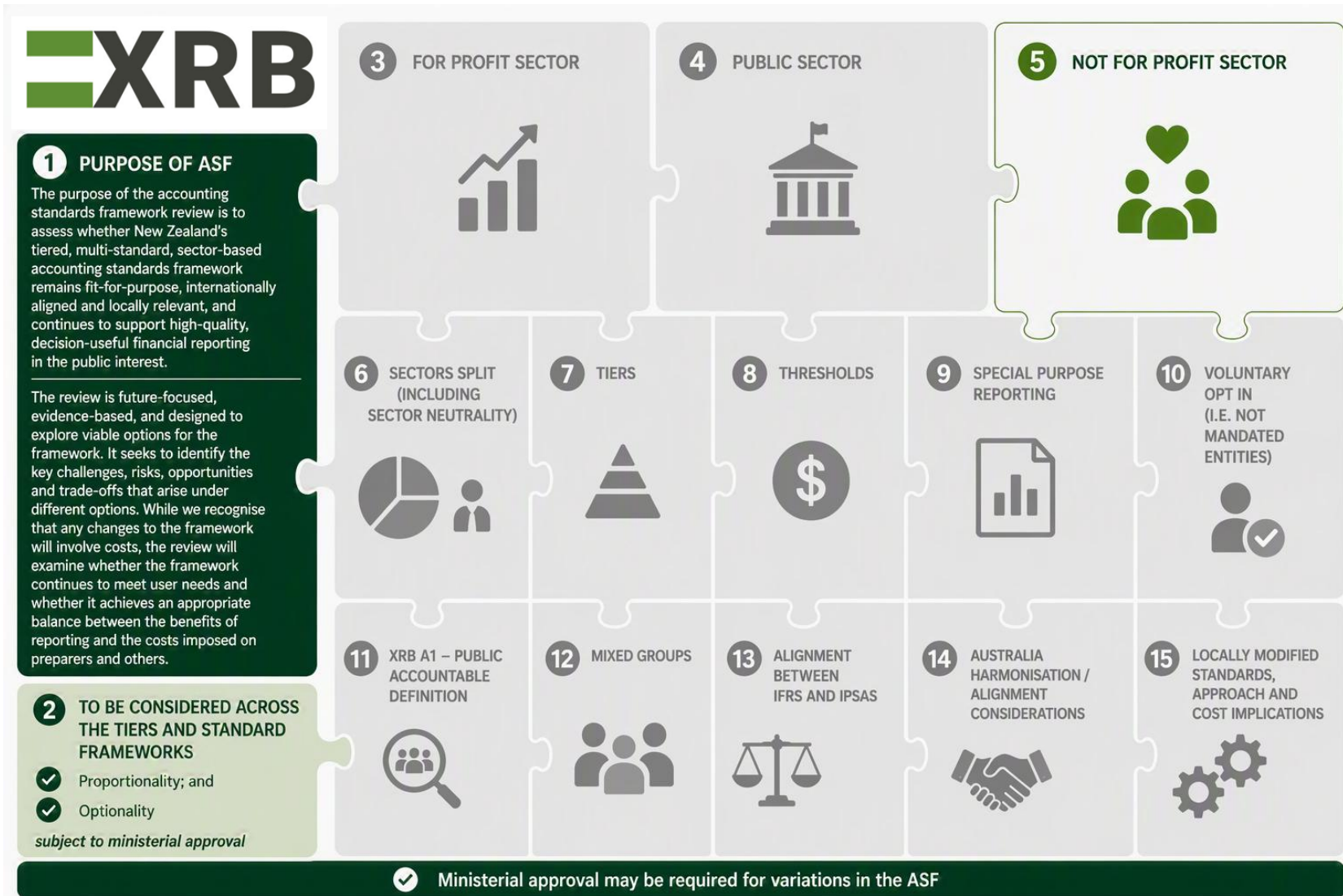
The overview slides for this paper are on the following page. These overview slides also contain the **framework criteria assessment**.

The NFP alternative framework key criteria analysis



ASF Review – Where the NFP review fits in

The NFP sits within the wider Accounting Standards Framework review – as element 5.



NFPs in the ecosystem

A distinct sector in New Zealand's social and economic ecosystem

- NFPs deliver public-benefit services, mobilising volunteers and donations, and building social capital in ways neither government nor business does.
- Mission-driven and accountable to donors, members and communities rather than shareholders – a distinct purpose, funding model and accountability that warrant a stand-alone reporting lens.
- Legal forms - incorporated societies (the most common), charitable trusts, charitable companies, etc. – may register as a charity if eligible.
- The policy intent originally described in the [Regulatory Impact Statement 10-11/1187](#) intended that registered charities should have a reporting requirement, and noted that scalability of reporting requirements are important for this sector.
- It specifically initially estimated ~4% of registered charities falls within the 'large' category, and GAAP accounting is appropriate for those. During our 2024 revision of thresholds, only ~2.9% of registered charities falls within the current Tier 1 and Tier 2 PBEs. The remaining ~96% of registered charities falls within tier 3 and tier 4, being our locally developed and simplified frameworks.

Legislative and regulatory setting

Key legislative instruments (not exhaustive list)

- **Charities Act 2005** – registration and regulation of charities;
- **Incorporated Societies Act 2022** – governance of societies (replaced the 1908 Act);
- **Charitable Trusts Act 1957** – incorporation of charitable trust boards;
- **Financial Reporting Act 2013** – establishes key financial reporting concepts and provides the framework for financial reporting duties under other enactments;
- **Companies Act 1993** – governs incorporation, legal personality, duties and rights, constitutions, amalgamations, liquidation, etc.
- **Etc.**

Regulatory and oversight bodies

- **Charities Services (DIA)** – administers the charities registration system, monitors compliance with the Charities Act 2005, and receives annual returns from registered charities
- **Charities Registration Board / Te Rātā Atawhai** – makes independent decisions on the registration and deregistration of charities
- **Companies Office (MBIE)** – maintains the registers for incorporated societies, charitable trust boards and companies.
- **Inland Revenue** – determines eligibility for charitable tax exemptions and donee status.

Because public sector (PS) and NFP (NFP) entities differ in their users, accountability expectations and operating characteristics, our analysis of the standards framework considered each sector separately – to assess whether the frameworks under consideration are fit for the distinct purposes of NFP entities.

Registered Charity tiers - quantity vs spend and assets



Share of registered charities by tier — entities, spend and assets compared



Tier	Total exp threshold	Charities (n, %)	Total expenditure (\$, %)	Avg exp / charity	Total assets (\$, %)	Avg assets / charity
Tier 1	> \$33m	140 (0.5%)	\$20.20bn (57.7%)	\$144.3m	\$48.04bn (43.2%)	\$343.1m
Tier 2	\$5m – \$33m	650 (2.5%)	\$7.95bn (22.7%)	\$12.3m	\$27.85bn (25.0%)	\$42.8m
Tier 3	\$140k – \$5m	7,794 (29.4%)	\$6.25bn (17.9%)	\$802k	\$31.46bn (28.3%)	\$4.0m
Tier 4	< \$140k	17,907 (67.6%)	\$0.59bn (1.7%)	\$33.1k	\$3.83bn (3.4%)	\$214k
Total	All tiers	26,491 (100%)	\$34.99bn (100%)		\$111.19bn (100%)	

Source: Charities Register August 2026. Tiers defined by Total Expenditure thresholds applied to 26,491 charities. We note that the aggregate data may be overstated because some charities are included both individually and as part of a group. Nevertheless, the data still demonstrates the economic significance of the NFP sector, particularly as it captures only registered charities and excludes other NFPs, such as non-charitable incorporated societies and certain Māori organisations.

User focus – Tier 1 and Tier 2 NFP entities



Primary users

- Currently includes a very broad primary user base:
 - Resource providers (such as donors, government and other funders, members and lenders) and their representatives; and
 - Service recipients (such as beneficiaries and the communities served) and their representatives.

Other users

- Financial statements are not primarily directed at these parties currently (not exhaustive):
 - Sector researchers, analysts and statisticians
 - Media, public interest and advocacy groups
 - Regulatory and oversight bodies (e.g. Charities Services)
 - Umbrella and membership bodies etc.



Nature of primary user needs

- Support assessments of the discharge of accountability and support decision making, such as:
 - Assess performance of the entity and future funding needs (delivering mission and services, stewardship of donations and grants, compliance with donor and funding conditions)
 - Assess liquidity and solvency
 - Assess sustainability of service delivery and other operations over the long term
 - Assess capacity of the entity to adapt to changing circumstances



Implications for Tier 1 and 2 reporting

- Serve a broad and sometimes competing set of users and objectives
- Creates pressures; technically robust but understandable, comparable but relevant, transparent but material, decision useful across different audiences
- Accountability remains a central objective – focused on stewardship of donated and granted resources, mission and service performance, long-term sustainability (rather than financial return)
- Financial reporting alone will not meet user needs

Tier 1 and Tier 2 NFP sector key challenges

As part of the review of the NFP reporting standards framework, staff identified several challenges in the sector, drawing on stakeholder feedback, staff experience and observed pressures in the reporting ecosystem. Not all of these challenges can be resolved by the ASF review – some arise from factors outside our control. The question is whether the review can reduce unnecessary burden and create a better balance. Being aware of these challenges helps us target where the framework can realistically make a difference, and to be transparent about what sits beyond its reach.

Key Challenges

1. Complexity of requirements

- Technically complex and resource-intensive to apply.
- Transitioning from non-GAAP reporting to full PBE Standards recognition and measurement is challenging.
- Certain requirements require significant judgement, specialist expertise, and supporting systems.
- Complexity drive challenges in both application and understanding.

2. Workforce capability

- Limited IPSAS and PBE Standards expertise within the wider NFP sector
- Smaller NFP entities often rely on part-time finance staff, volunteers, or external advisers to meet reporting obligations.

3. Limited NFP-specific coverage

- IPSAS do not always address NFP-specific transactions and circumstances
- Additional guidance or disclosures are often needed to explain NFP-specific activities.

4. Cost of change and remaining current

- Ongoing changes creates pressure on preparers and the broader ecosystem.
- The challenge is not only change itself, but the ability of preparers and users to remain current through ongoing investment in education and capability.

5. Accountability and user needs

- Funders, donors, members, beneficiaries and regulators are often interested in service performance, outcomes achieved and stewardship of resources.
- Financial reporting requirements may not always align with the information needs of key NFP stakeholders.

6. Mixed group reporting

- NFP groups can comprise entities operating under different reporting frameworks
- Applying consistent accounting policies and reporting practices across a diverse group structure can require significant resources, judgement and coordination across related entities.

Tier 1 NFP options analysis



Tier 1 NFP entities

Tier 1 NFP entity characteristics

- Tier 1 NFP entities are economically significant and publicly accountable organisations that control substantial resources and play a critical role in delivering social, cultural, health, education and community services. Their activities give rise to accountability to a wide range of stakeholders, including donors, funders (both public and private), beneficiaries, members and regulators, and often involve the stewardship of restricted funds and resources held on trust for public benefit purposes.

Given their scale, complexity and reliance on public confidence, there is a strong expectation that Tier 1 NFP entities provide high-quality, transparent and decision-useful financial and service performance reporting. Such reporting should support:

- accountability to funders and users,
- informed governance and resource allocation decisions,
- trust in the NFP sector, and
- comparability to other large NFP entities.

The table below sets out the quantity of entities that are classified as Tier 1 NFP entities per the ASF requirements.

A NFP entity that has <i>public accountability</i> *	Or	A <i>large PBE</i> * with total expenses > \$33mil
• Based on information provided by Charities Services, there are approximately 112 organisations and 40 groups Tier 1 NFP entities that are registered charities. ~0.4% of the total population# • Based on information held by MBIE, there are approximately 18 incorporated societies that, based on their operating expenses, may be required to report as a Tier 1 NFP entity. @		

*These are defined terms. Refer to [XRB A1](#) which sets out the requirements relating to *public accountability*. The [Definition of public accountability paper](#) explains the public accountability concept in more detail

The ‘NFPs – registered charities’ information was obtained from Charities.govt.nz in August 2026. The data includes controlled charities, meaning some organisations may be counted twice: once as an individual charity and again as part of a group.

@ The incorporated society information was obtained from MBIE in June 2023. We assume that all of Tier 1 incorporate societies reregistered and continue to exist.

Tier 1 NFP framework option analysis criteria

Each alternative framework was assessed against several key criteria.

Process followed

- 1

Staff prepared the options analysis of the alternative frameworks that was considered viable to this tier.
- 2

Each viable option is evaluated by considering its pros and cons and assessing it against a set of key criteria.
- 3

The internal XRB additional cost and capacity to create new standards and lead time to create a coherent suite, is not captured as a separate criteria, but is a key item to consider internally.

Framework-level key criteria used to evaluate each option

Key criteria	Technical fitness	Simplification	International alignment	Local relevance	Ecosystem	Transition costs	Ongoing costs
This means:	Technical fitness; a coherent suite capable of <i>faithfully representing not-for-profit transactions and accountability relationships</i> , developed with user needs in mind (preparers and user focus) – focused on benefits	Simplification options (addressing preparers concern about complexity)	Internationally aligned Internationally recognised and comparable- including Australia	Locally relevant and international influence	Ecosystem and workforce as a whole (the market)	Cost of change (transition costs for preparer and ecosystem)	Ongoing costs and maintain the standards (i.e. how often are changes expected), including AI-related costs (preparer focus)

Tier 1 NFP options explored

PBE Standards based on IPSAS - New Zealand's Tier 1 NFP standards are based on IPSAS, which were developed primarily for public sector entities and public-sector accountability objectives. PBE Standards adapt IPSAS for the New Zealand environment, including NFP-specific transactions and reporting requirements. While IPSAS are used widely by public sector entities internationally, IPSAS-based reporting is less commonly used by NFP entities.

INPAS - International Non-Profit Accounting Standard (INPAS) is an accounting framework developed specifically for NFP entities and is based on IFRS for SMEs. The standard is approximately 300 pages in length, including implementation guidance, and was published in October 2025. INPAS is now being promoted internationally for adoption and implementation. Adoption remains at an early stage, with a number of jurisdictions actively exploring its use. INPAS was developed specifically to address the reporting needs, transactions and accountability arrangements of NFP entities. See also [INPAS Factsheet](#).

A: PBE Standards based on IPSAS

B: INPAS

C: IFRS

D: Australian-adapted IFRS framework (NFP)

E: Locally modified standards

Australian-adapted IFRS framework (NFP) - Australian Accounting Standards are based on IFRS but include public sector and NFP adaptations, including additional standards tailored to the NFP and Australia-specific requirements.

IFRS - IFRS are accounting standards developed primarily for for-profit entities and capital market participants. IFRS are widely used internationally and form the basis of financial reporting in many jurisdictions. While some jurisdictions require or permit NFP entities to apply IFRS or IFRS-based adapted frameworks, IFRS was not developed specifically for NFP transactions, accountability arrangements or reporting objectives.

To note - The framework options presented include IFRS-based approach (option C) and Locally modified standards (option E), which should be considered for the implications of a potential sector-neutral model, and whether these frameworks can appropriately meet the differing reporting objectives, user needs, and accountability requirements across sectors.

Tier 1 NFP entities – summary assessment across key criteria

The summary assessment of each framework option against the key criteria and red-amber-green (RAG) analysis is included below to highlight the key drivers of each option. This assessment is preliminary and is presented to prompt discussion — the ratings are staff judgements and are open to challenge.

Tier 1 NFP Option	Technical fitness	Simplification	International alignment	Local relevance	Ecosystem	Transition costs	Ongoing costs
A. PBE Standards based on IPSAS	●	●	●	●	●	●	●
B. INPAS	●	●	●	●	●	●	●
C. IFRS	●	●	●	●	●	●	●
D. Australian-adapted IFRS framework (NFP)	●	●	●	●	●	●	●
E. Locally modified standards	●	●	●	●	●	●	●

● Strong fit / low concern
 ● Mixed fit / trade-off concerns
 ● Significant trade-off concerns



Tier 1 NFP Option	Include in DP	Key drivers of the assessment		
A. PBE Standards based on IPSAS	Include	1. Public sector focused framework	2. Ability to make changes to ensure it is fit-for-purpose	3. Internationally credible
B. INPAS	Include	1. Developed for the NFP sector	2. IFRS for SME foundation may not suit Tier 1 NFPs	3. Limited evidence of practical application
C. IFRS	Include	1. Designed for for-profit entities	2. Closer alignment with Aus	3. Licence agreements limits simplification
D. Australian-adapted IFRS framework (NFP)	Include	1. Aligned with Aus	2. IFRS-based standards with Aus NFP adaptations	3. Licence agreements limits simplification
E. Locally modified standards	Include	1. Simplification possible and will be locally relevant	2. High transition and maintenance costs	3. Loss of international credibility. Not aligned with Aus

Option A – PBE Standards based on IPSAS



Pros

- Designed for organisations where the focus is on service delivery, not profit - which aligns well with the NFP sector.
- Strong emphasis on accountability and stewardship of resources
- Caters for complex transactions
- Tailoring allowed to make it fit-for-purpose in NZ
- Ability to provide NZ views and influence
- Credibility and stakeholder confidence
- Principle based framework
- Bespoke NZ developed guidance and support
- Established domestic workforce capability and some global talent pool
- Globally informed standard-setting process
- No transition costs and market disruptions - established accounting systems.



Cons

- Requires modification as more explicitly produced for public sector entities
- Possible concerns about high cost per entity and complexity of compliance.
- Potential overload of disclosures.
- Not harmonised with Australian.
- Lag in addressing complex or emerging financial issues.
- Talent pool limited with IPSAS seen as more specialised than other global standards (IFRS)
- Resource strain during change

Option A – PBE Standards based on IPSAS

Criteria	Analysis
Technical fitness	IPSAS standards reflects NFP concepts (like service delivery, grants, donations etc.) better than a for-profit framework. Fulsome framework with IPSAS-based standards providing clear principles for accounting of most complex NFP transactions. However, it is designed and written for Public Sector entities and therefore requires effort to modify it to provide a better fit for the NFP sector. NFPs may have less mature reporting environment and different accountability focuses which are not reflected in the public sector orientated standards. Requirements may impose a level of complexity that is disproportionate for some NFP entities. IPSASB standard-setting generally lags IFRS, as projects are initiated after IASB standards are issued.
Simplification	Ability to simplify to make it fit-for-purpose to New Zealand NFP environment, although some complexity would remain given the underlying framework is extensive and technical. Optional adoption based on New Zealand PBE Policy Approach assessment.
International alignment	Internationally recognised framework fully or partially adopted across 86 jurisdictions. Australia: not aligned. There are limited benefits around international comparability of NFPs as most NFP source of funding is generated domestically.
Local relevance	XRB can tailor IPSAS Standards to make it fit-for-purpose in the New Zealand context. However, any adaptation needs to consider maintaining coherence and quality of financial reporting. New Zealand IPSASB Board member supported by XRB staff to influence standard setting. XRB also influence through consultation and global forums.
Ecosystem	Established PBE Standards-based ecosystem supported by preparers, auditors and public-sector institutions. Ongoing training through accounting firms, regulators and educational institutions supports capability within the reporting environment.
Transition costs	No change required, so no additional costs would arise. Existing systems, processes and workforce capability already support the current PBE Standards-based reporting environment in the public sector.
Ongoing costs	As public sector transactions evolve globally, IPSAS accounting standards also evolve which may result in periodic updates to the standards suite to be applied by NFP entities.

- Strong fit / low concern
- Mixed fit / trade-off concerns
- Significant trade-off concerns

Option B – INPAS



Pros

- Designed specifically for NFPs - may not require significant domestic modification
- Balanced complexity and simplicity in requirements (assumed due to the basis being IFRS for SMEs)
- Globally informed standard setting process
- Ability to influence will be a possibility but pathway still needs to be established
- Stand-alone, self contained principle based standard
- May have lower ongoing change



Cons

- Starting point of development of INPAS was IFRS for SMEs - which is a for-profit framework.
- Not designed for large multi-national charities
- Limited professional familiarity with these Standards in NZ
- Mixed tier group consolidation complexity
- Different recognition and measurement requirements to current PBE Standards
- Significant transition cost and system changes
- Workforce capability limited in NZ
- Limited workforce mobility in NZ as well as internationally
- ASF complexity and fragmentation
- No exposure, training and configured IT systems in the NZ ecosystem
- New suite of standards that haven't been tried and tested - credibility and robustness not known

Option B – INPAS

Criteria	Analysis
Technical fitness	Standards are Intended to be explicitly tailored for NFPs including language and economic reality of the NFP sector and result in reporting principles which are relevant for the accountability of NFPs and their users. Conceptually appropriate for typical and specific NFP transactions. IFRS for SMEs was a starting point, but they have also drawn on IPSAS, and modified further to address NFP transactions. Developed for small and medium-sized entities and may not be suitable for complex transactions.
Simplification	Simplified recognition and measurement requirements. Standard may need to be tailored and changed to make it locally relevant to the NZ NFP environment and consider proportionality for Tier 2 NFP entities. Uncertainty of Licence (assuming Licence restrictions will allow modifications).
International alignment	Standard developed by a voluntary task force with support from some international bodies but not used in practice yet. A few jurisdictions are considering or working on implementation (e.g. Kenya) Australia: Not aligned but considered in their development of the new Tier 3 NFP standard. There are limited benefits around international comparability of NFPs as most NFP source of funding is generated domestically
Local relevance	Standards may need to be tailored and changed to make them locally relevant to the NZ NFP environment. It is unclear whether the XRB would be able to effectively and credibly influence the standards internationally and how the standards would be maintained and updated.
Ecosystem	New reporting framework which will result in challenges with workforce capacity and composition as the market (preparers, auditors and technology) will need to understand and familiarise themselves with another set of principles which are not used in New Zealand. This will result in more fragmentation across the Tiers and sectors as these will not be aligned with other reporting principles.
Transition costs	There would be a significant cost for entities to transition to these standards. Existing software and systems do not support reporting aligned with these standards and would require further understanding, development and implementation, which may result in additional costs for preparers and users.
Ongoing costs	It is unclear how the standards would be maintained and updated. With transactions evolving globally, and revisions to the IFRS for SME's every 3-5 years there will be a level of changes, but updates to INPAS are expected to be less frequent than changes to IFRS and IPSAS standards.

- Strong fit / low concern
- Mixed fit / trade-off concerns
- Significant trade-off concerns

Option C – IFRS



Pros

- High-quality, principles-based framework - caters for complex transactions
- Sector neutral and benefits of work force capacity
- Extensive guidance, training and support provided by IASB.
- Harmonisation with Australia
- Ability to provide NZ views and influence
- Credibility and stakeholder confidence
- High quality principle based framework
- Established domestic workforce, capability and talent pool
- Globally informed standard setting process
- Access to IFRS-ready accounting systems



Cons

- Not fit-for-purpose for the NFP sector as designed with capital markets in mind
- Not tailored to NZ circumstances or NFP concepts without significant judgements, supplements required and workarounds (customisation risks).
- Licence restrictions within IFRS - strict rules when modifications can be made and mandatory full suite adoption.
- Technical and complex
- Change would impose significant transition cost and severe organisational disruption
- No guidance and support focused on NFPs and limited ability to create content locally

Option C – IFRS

Criteria	Analysis
Technical fitness	Fulsome framework with 43 NZ IFRS standards providing clear principles for accounting of most complex transactions. Development of these standards takes into account global users and best practices. However, it is designed and written for for-profit entities, and therefore requires effort to supplement or work around to provide a better fit for the NFP sector. Some NFPs may have less mature reporting environment and different accountability focuses which are not reflected in the for-profit orientated standards.
Simplification	Simplification option limited: under existing IFRS Licence agreement there is a mandatory full-suite adoption and recognition and measurement requirements needs to be aligned. Significant supplements and work-arounds would be required.
International alignment	IFRS is internationally recognised - used in 161 jurisdictions (required or permitted for publicly accountable entities) and therefore would improve comparability with private-sector reporting on a global scale. May be closer alignment with Australia's approach which is IFRS aligned. This is a well established framework recognised internationally for financial reporting. However, there are limited benefits around international comparability of NFPs as most NFP source of funding is generated domestically.
Local relevance	While the XRB cannot directly tailor international standards, New Zealand credentials and potential to influence is well established internationally which may allow local inputs into the development of the global standards. However, IFRS is not designed with the NFP in mind and therefore may require supplements and work-arounds to make it NFP appropriate.
Ecosystem	IFRS adoption would significantly disrupt the current ecosystem and would requiring major system changes (technology) to comply with IFRS requirements. However, New Zealand has an established IFRS-based ecosystem supported by preparers and auditors in the for-profit space. Training would be required which can occur through accounting firms, regulators and educational institutions who has the capability.
Transition costs	Significant cost and changes will be required. Existing software and systems would need to undergo changes, although IFRS systems may be more readily available given its prominence in New Zealand for the for-profit sectors.
Ongoing costs	With transactions evolving globally, accounting standards evolve which results in regular changes however these do so without keeping NFP transactions in mind.

- Strong fit / low concern
- Mixed fit / trade-off concerns
- Significant trade-off concerns

Option D – Australian-adapted IFRS framework (NFP)



Pros

- High-quality, principles-based framework
- Ability to provide NZ views and influence for not-for-profit modifications
- Greater responsiveness to local issues
- Alignment with Australia



Cons

- Limited comparability and alignment with jurisdictions other than Australia.
- Risk that New Zealand specific not-for-profit financial reporting and accountability requirements won't be addressed
- Significant transition costs and implementation disruptions from moving away from IPSAS-based standards
- Need for ongoing monitoring and development of not-for-profit adaptations to IFRS standards
- Licence restrictions – mandatory adoption of the full IFRS suite
- Resource strain in ecosystem during transition and implementation
- Concerns about high cost per entity and complexity of compliance

Option D - Australian-adapted IFRS framework (NFP)

Criteria	Analysis
Technical fitness	Fulsome framework with several IFRS-based standards providing clear principles for accounting of most complex transactions. However, not-for-profit modifications are required to provide a better fit for the NFP sector. Those modification are not developed with New Zealand specific not-for-profit financial reporting and accountability requirements in mind. IFRS-based recognition and measurement requirements may impose a level of complexity that is disproportionate for some Tier 2 entities.
Simplification	Any simplifications would be restricted to those already incorporated within Australian Accounting Standards such as reduced disclosure requirements for the Tier 2 entities.
International alignment	Australian standards are based in international recognised framework (IFRS). However, the NFP modifications are not recognised internationally and would unlikely be used outside Australia and New Zealand, reducing comparability with other NFP frameworks.
Local relevance	Standards are tailored to o Australian not-for-profit entities and their reporting environment. Although many features are comparable to New Zealand, the frameworks are not designed specifically for New Zealand circumstances.
Ecosystem	Adoption would significantly disrupt the current ecosystem, requiring substantial retraining of preparers, auditors and practitioners and changes to systems and tools. Workforce mobility may be initially reduced as the current talent pipeline is largely aligned with IPSAS-based standards. Over time, closer alignment with the for-profit framework may improve workforce mobility by making it easier for talent to work across sectors and on both sides of the Tasman.
Transition costs	Significant costs and system changes would be required. Although IFRS-based software is widely available due to its use in New Zealand's for-profit sector, modifications would be needed to support not-for-profit reporting requirements.
Ongoing costs	IFRS standards evolve regularly as global transactions change. NFP supplements also need ongoing maintenance which may increase the complexity of keeping the framework coherent and aligned with international developments. XRB could potentially work with Australia to maintain up-to-date supplements for the NFP requirements.

- Strong fit / low concern
- Mixed fit / trade-off concerns
- Significant trade-off concerns

Option E – Locally modified standards



Pros

- Designed specifically for NFPs and tailored to NZ circumstances
- Full control over standard-setting
- Greater responsiveness to local issues
- Alignment with NZ regulatory and policy settings



Cons

- Risk of unintended consequences such as lack of coherence and complexity within the suite
- Loss of international comparability and credibility, likely to result in loss of capital investment
- Absence of readily available IT software
- High development and maintenance costs
- Workforce capability and mobility risk
- Requires extensive expertise and time to produce
- Greater risk of inconsistency and loss of credibility

Option E – Locally modified standards



Criteria	Analysis
Technical fitness	Significant time and resource requirement to create a coherent suite of standards capable of dealing with most complex NFP transactions and accountability relationships without unintended consequences. This could result in reporting principles which are relevant for the accountability of NFPs but this may not meet the needs of international stakeholders or other global users.
Simplification	Standards could be developed to be highly relevant to NFP reporting in New Zealand and can be simplified in terms of recognition, measurement and disclosures to best support users needs around NFP financial information. Elements of other international NFP frameworks can be leveraged from.
International alignment	Would not be recognised internationally and unlikely to be used outside New Zealand. However, there are limited benefits around international comparability of NFPs as most NFP source of funding is generated domestically. Australia: Not aligned
Local relevance	Standards could be tailored to New Zealand NFP policy settings and reporting needs.
Ecosystem	Adoption would significantly disrupt the current ecosystem, requiring substantial retraining of preparers, auditors and practitioners and changes to systems and tools. Workforce mobility may be reduced as the current talent pipeline is largely aligned with IPSAS-based standards.
Transition costs	Significant transition costs would arise, including policy redesign, workforce retraining and changes to systems and processes. Existing software and accounting systems are not designed for bespoke New Zealand standards.
Ongoing costs	Changes to locally modified standards could be managed domestically, but there is a risk that emerging global developments or complex issues are not addressed in a timely way due to limited local resources.

- Strong fit / low concern
- Mixed fit / trade-off concerns
- Significant trade-off concerns



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Have your say

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Let us know if our analysis is complete or whether there are additional challenges, opportunities, or perspectives we should consider.

Your input will help inform the development of the Discussion Paper.

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Provide feedback on this topic and help
inform the development of the
Discussion Paper.



Appendix 7 – Tier 2 not-for-profit entities: framework options analysis

Note:

The overview slides for this paper are on the following page. These overview slides also contain the detailed **framework criteria assessment**.

Tier 2 NFP options analysis



Tier 2 NFP entities

Tier 2 NFP entity characteristics

- Tier 2 NFP entities are publicly accountable organisations that play an important role in delivering social, cultural, health, education and community services, but operate at a smaller scale and may have lower complexity than Tier 1 NFP entities.
- Tier 2 NFP entities remain accountable to a range of stakeholders, including funders, donors, members, beneficiaries and regulators. Credible and consistent financial reporting is therefore important to support accountability, governance and stewardship decisions. However, given the size, scale and capability constraints of many Tier 2 NFP entities, reporting requirements should appropriately balance decision-usefulness with cost-benefit considerations and reporting capacity.

The table below sets out the approximate quantity of entities that are classified as Tier 2 NFP entities under the Accounting Standards Framework requirements.

A NFP entity that has no public accountability*	Or	Has total expenses ≤ \$33 million (not ‘large’ as per XRB A1) but total expenses > \$5 million ^{&}
• Based on information provided by Charities Services, there are approximately 633 organisations and 97 groups Tier 2 NFP entities that are registered charities. ~2.3% of the total population[#] • Based on information held by MBIE, there are approximately 263 incorporated societies that, based on their operating expenses, may be required to report as a Tier 2 NFP entity. @		

*These are defined terms. Refer to [XRB A1](#) which sets out the requirements relating to *public accountability*. The [Definition of public accountability paper](#) explains the public accountability concept in more detail.

& This paper focuses on mandated Tier 2 NFP entities and does not consider entities that voluntarily opt to apply Tier 2 reporting requirements.

The ‘NFPs – registered charities’ information was obtained from Charities.govt.nz in August 2026. The data includes controlled charities, meaning some organisations may be counted twice: once as an individual charity and again as part of a group.

@ The incorporated society information was obtained from MBIE in June 2023. We assume that all of Tier 2 incorporate societies reregistered and continue to exist.

Tier 2 NFP sector framework option analysis criteria

Each alternative framework was assessed against several key criteria.

Process followed

- 1

Staff prepared the options analysis of the alternative frameworks that were considered viable to this tier.
- 2

Each viable option is evaluated by considering its benefits and trade-offs and assessing it against a set of key criteria.
- 3

The internal XRB additional cost and capacity to create new standards and lead time to create a coherent suite, is not captured as a separate criteria, but is a key item to consider internally.

Framework-level key criteria used to evaluate each option

Key criteria	Technical fitness	Simplification	Local relevance	International alignment	Ongoing costs	Move between tiers	Ecosystem	Transition costs
This means:	Technical fitness; a coherent suite capable of <i>faithfully representing not-for-profit transactions and accountability relationships</i> , developed with user needs in mind (preparers and user focus) – focused on benefits	Recognition, measurement and disclosure simplification options (addressing preparer complexity while maintaining decision useful information)	Ability to reflect NZ economic and user needs, including through local modifications and international standard-setting influence (<i>importance may vary across tiers and entity types</i>) – focused on benefits	Internationally aligned, recognised and comparable - including Australia (<i>importance may vary across tiers and entity types</i>) – focused on benefits	Ongoing costs of applying and maintaining the standards, including AI-related costs (i.e. how often are changes expected) (preparer focus)	Interoperability with Tier 1 (accounting requirements and workforce capability) ★	Availability of skills, guidance, systems, audit capability and training to support implementation and ongoing application	Cost of change (transition costs for preparer, auditors, regulators and wider ecosystem)



Tier 2 NFP key criteria are consistent to that of Tier 1 except for the addition of:



Move between tiers - Interoperability with Tier 1 (accounting and workforce)

Tier 2 NFP framework options explored

The Tier 2 NFP viable options explored build on the options included for Tier 1 NFP entities.

PBE Standards based on IPSAS with RDR - an IPSAS based framework that retains full recognition and measurement requirements while allowing reduced disclosure requirements, supporting a balance between comparability with Tier 1 and proportionality for Tier 2 entities.

INPAS – framework developed specifically for NFP entities with an IFRS for SMEs foundation which may make it more appropriate and applicable to Tier 2 NFP entities. Adoption remains at an early stage, with a number of jurisdictions actively exploring its use. Refer to [INPAS Factsheet](#).

A: PBE Standards based on IPSAS with RDR

B: INPAS

C: IFRS with RDR

D: Australian-adapted IFRS framework (NFP)

E: Locally modified standards

IFRS with RDR - an IFRS based framework that retains full recognition and measurement requirements while allowing reduced disclosure requirements, supporting a balance between comparability with Tier 1 and proportionality for Tier 2 entities.

Australian-adapted IFRS framework (NFP)- Australian Accounting Standards are based on IFRS but include public sector and NFP adaptations, including additional standards tailored to NFP entities and Australia-specific requirements. This framework will retain full recognition and measurement requirements, while allowing reduced disclosure requirements, supporting a balance between comparability with Tier 1 and proportionality for Tier 2 entities.

To note - The framework options presented include IFRS-based approach (option C) and Locally modified standards (option E), which should be considered for the implications of a potential sector-neutral model, and whether these frameworks can appropriately meet the differing reporting objectives, user needs, and accountability requirements across sectors.

Tier 2 NFP entities – summary assessment across key criteria

The summary assessment of each framework option against the key criteria and red-amber-green (RAG) analysis is included below to highlight the key drivers of each option. This assessment is preliminary and is presented to prompt discussion — the ratings are staff judgements and are open to challenge.

Tier 2 NFP Option	Technical fitness	Simplification	International alignment	Local relevance	Ecosystem	Transition costs	Ongoing costs	Move between tiers
A. PBE Standards based on IPSAS with RDR	●	●	●	●	●	●	●	●
B. INPAS	●	●	●	●	●	●	●	●
C. IFRS RDR	●	●	●	●	●	●	●	●
D. Australian-adapted IFRS framework (NFP)	●	●	●	●	●	●	●	●
E. Locally modified standards	●	●	●	●	●	●	●	●

- Strong fit / low concern
- Mixed fit / trade-off concerns
- Significant trade-off concerns

Tier 2 NFP Option	Include in DP?	Key drivers of the assessment		
A. PBE Standards based on IPSAS with RDR	Include	1. Public sector focused framework	2. Ability to make changes to ensure it is fit-for-purpose	3. Internationally credible
B. INPAS	Include	1. Developed for the NFP sector	2. IFRS for SME foundation consider proportionality for Tier 2 NFP entities	3. Limited evidence of practical application
C. IFRS RDR	Include	1. Designed for for-profit entities	2. Closer alignment with Aus	3. Licence agreements limits simplification
D. Australia aligned NFP standards with RDR	Include	1. Aligned with Aus	2. IFRS-based standards with Aus NFP adaptations	3. Licence agreements limits simplification
E. Locally modified standards	Include	1. Simplification possible and will be locally relevant	2. High transition and maintenance costs	3. Loss of international credibility. Not aligned with Aus

Option A – PBE Standards based on IPSAS with RDR



Pros

- Designed for organisations where the focus is on service delivery, not profit - which aligns well with the NFP sector
- Strong emphasis on accountability and stewardship of resources
- Caters for complex transactions
- Tailoring allowed to make it fit-for-purpose in NZ
- Ability to provide NZ views and influence
- NZASB's ability and control to consider proportionality through reduced disclosure burden
- Credibility and stakeholder confidence
- Principle based framework
- Bespoke NZ developed guidance and support
- Established domestic workforce capability and some global talent pool
- Globally informed standard-setting process
- No transition costs and market disruptions - established accounting systems



Cons

- Requires modification as more explicitly produced for public sector entities
- Possible concerns about high cost per entity and complexity of compliance
- Potential overload of disclosures.
- Not harmonised with Australian
- Lag in addressing complex or emerging financial issues
- Talent pool limited with IPSAS seen as more specialised than other global standards (IFRS)
- Resource strain during change

Option A – PBE Standards based on IPSAS with RDR

Criteria	Analysis
Technical fitness	IPSAS standards reflects NFP concepts (like service delivery, grants, donations etc) better than a for-profit framework. Fulsome framework with IPSAS-based standards providing clear principles for accounting of most complex NFP transactions. However, it is designed and written for Public Sector entities, and therefore requires effort to modify it to provide a better fit for the NFP sector. NFPs may have less mature reporting environment and different accountability focuses which are not reflected in the public sector orientated standards. Requirements may impose a level of complexity that is disproportionate for some NFP entities. IPSASB standard-setting generally lags IFRS, as projects are initiated after IASB standards are issued.
Simplification	XRB can simplify IPSAS Standards to make it fit-for-purpose to New Zealand NFP environment. However, any adaptations needs to consider maintaining coherence and quality of financial reporting. XRB also has the ability to reduce disclosures to simplify requirements for Tier 2 NFPs however measurement and recognition requirements remains the same as for Tier 1NFP.
International alignment	Internationally recognised framework fully or partially adopted across 86 jurisdictions. Australia: not aligned. There are limited benefits around international comparability of NFPs as most NFP source of funding is generated domestically.
Local relevance	XRB can tailor IPSAS Standards to make it fit-for-purpose in the New Zealand context. However, any adaptation needs to consider maintaining coherence and quality of financial reporting. New Zealand IPSASB Board member supported by XRB staff to influence standard setting. XRB also influence through consultation and global forums.
Ecosystem	Established PBE Standards-based ecosystem supported by preparers, auditors and public-sector institutions. Ongoing training through accounting firms, regulators and educational institutions supports capability within the reporting environment.
Transition costs	No change required, so no additional costs would arise. Existing systems, processes and workforce capability already support the current PBE Standards-based reporting environment in the public sector.
Ongoing costs	As public sector transactions evolve globally, IPSAS accounting standards also evolve which may result in periodic updates to the standards suite to be applied by NFP entities.
Move between tiers	Strong interoperability due to consistency in recognition and measurement principles. Retaining PBE Standards RDR supports workforce interoperability as there is a reduced need for separate training and capability streams.

- Strong fit / low concern
- Mixed fit / trade-off concerns
- Significant trade-off concerns

Option B – INPAS



Pros

- Designed specifically for NFPs - may not require significant domestic modification
- Balanced complexity and simplicity in requirements (assumed due to the basis being IFRS for SMEs)
- Globally informed standard setting process
- Ability to influence will be a possibility but pathway still needs to be established
- Stand-alone, self contained principle based standard
- May have lower ongoing change
- Proportionality (assuming Licence restrictions will allow this).



Cons

- Starting point of development of INPAS was IFRS for SMEs - which is a for-profit framework.
- Not designed for large multi-national charities
- Limited professional familiarity with these Standards in NZ
- Mixed tier group consolidation complexity
- Different recognition and measurement requirements to current PBE Standards
- Significant transition cost and system changes
- Workforce capability limited in NZ
- Limited workforce mobility in NZ as well as internationally
- ASF complexity and fragmentation
- No exposure, training and configured IT systems in the NZ ecosystem
- New suite of standards that haven't been tried and tested - credibility and robustness not known

Option B – INPAS

Criteria	Analysis
Technical fitness	Standard is intended to be explicitly tailored for NFPs including language and economic reality of the NFP sector and result in reporting principles which are relevant for the accountability of NFPs and their users. Conceptually appropriate for typical and specific NFP transactions. IFRS for SMEs was a starting point, but it has also drawn on IPSAS, and modified further to address NFP transactions.
Simplification	Simplified recognition and measurement requirements. Standard may need to be tailored and changed to make it locally relevant to the NZ NFP environment and consider proportionality for Tier 2 NFP entities. Uncertainty of Licence (assuming Licence restrictions will allow modifications).
International alignment	Standard developed by a voluntary task force with support from some international bodies but not used in practice yet. A few jurisdictions are considering or working on implementation (e.g. Kenya) Australia: Not aligned but considered in their development of the new Tier 3 NFP standard. There are limited benefits around international comparability of NFPs as most NFP source of funding is generated domestically.
Local relevance	Standard may need to be tailored and changed to make it locally relevant to the NZ NFP environment. It is unclear whether the XRB would be able to effectively and credibly influence the standards internationally and how the standards would be maintained and updated.
Ecosystem	New reporting framework which will result in challenges with workforce capacity and composition as the market (preparers, auditors and technology) will need to understand and familiarise themselves with another set of principles which are not used in New Zealand. This will result in more fragmentation across the Tiers and sectors as these will not be aligned with other reporting principles.
Transition costs	There would be a significant cost for entities to transition to these standards. Existing software and systems do not support reporting aligned with these standards and would require further understanding, development and implementation, which may result in additional costs for preparers and users.
Ongoing costs	It is unclear how the standards would be maintained and updated. With transactions evolving globally, and revisions to the IFRS for SME's every 3-5 years there will be a level of changes, but updates to INPAS are expected to be less frequent than changes to IFRS and IPSAS standards.
Move between tiers	Limited interoperability due to inconsistency in some recognition and measurement principles. Does not support workforce interoperability as separate training will be required to operate between the IPSAS-based Tier 1 NFP framework and an INPAS-based Tier 2 framework.

- Strong fit / low concern
- Mixed fit / trade-off concerns
- Significant trade-off concerns

Option C – IFRS RDR



Pros

- International comparability and understandability.
- High-quality, principles-based framework.
- Extensive guidance, training and support provided by IASB
- Ability to provide NZ views and influence
- Credibility and stakeholder confidence
- Globally informed standard-setting process.
- Established domestic workforce capability and global talent pool
- Future Proofing.
- Access to IFRS-ready accounting systems



Cons

- Not fit-for-purpose for the NFP sector as designed with capital markets in mind
- Licence restrictions within IFRS - strict rules when modifications can be made and mandatory full suite adoption.
- Not tailored to NFP circumstances or NFP transactions and accountability requirements which may require significant supplementation and heavy workarounds (customisation risks).
- Technical and complex
- Change would impose significant transition cost and severe organisational disruption
- No guidance and support focused on NFPs and limited ability to create content locally
- Recognition and measurement requirements may exceed user needs

Option C – IFRS RDR

Criteria	Analysis
Technical fitness	Fulsome framework with 43 NZ IFRS standards providing clear principles for accounting of most complex transactions. Development of these standards takes into account global users and best practices. However, it is designed and written for for-profit entities, and therefore requires effort to supplement or work around to provide a better fit for the NFP sector. Some NFPs may have less mature reporting environment and different accountability focuses which are not reflected in the for-profit orientated standards. Recognition and measurement requirements may impose a level of complexity that is disproportionate for some Tier 2 entities.
Simplification	Simplification option limited: under existing IFRS Licence agreement there is a mandatory full-suite adoption and recognition and measurement requirements needs to be aligned. Significant supplements and work-arounds would be required. XRB has ability to reduced disclosures to simplify requirements for Tier 2 NFPs.
International alignment	IFRS is internationally recognised - used in 161 jurisdictions (required or permitted for publicly accountable entities) and therefore would improve comparability with for-profit reporting on a global scale. May be closer alignment with Australia's approach which is IFRS aligned. This is a well established framework recognised internationally for financial reporting. However, there are limited benefits around international comparability of NFPs as most NFP source of funding is generated domestically.
Local relevance	While the XRB cannot directly tailor international standards, New Zealand credentials and potential to influence is well established internationally which may allow local inputs into the development of the global standards. However, IFRS is not designed with the NFP in mind and therefore may require supplements and work-arounds to make it NFP appropriate.
Ecosystem	IFRS adoption would significantly disrupt the current ecosystem and would requiring major system changes (technology) to comply with IFRS requirements. However, New Zealand has an established IFRS-based ecosystem supported by preparers and auditors in the for-profit space. Training would be required which can occur through accounting firms, regulators and educational institutions who has the capability.
Transition costs	Significant cost and changes will be required. Existing software and systems would need to undergo changes, although IFRS systems may be more readily available given its prominence in New Zealand for the for-profit sectors.
Ongoing costs	With transactions evolving globally, accounting standards evolve which results in regular changes however these do so without keeping NFP transactions in mind.
Move between tiers	Limited interoperability due to inconsistency in some recognition and measurement principles to IPSAS. Does not support workforce interoperability as separate training will be required to operate between the IPSAS-based Tier 1 NFP framework and an IFRS-based Tier 2 framework.

- Strong fit / low concern
- Mixed fit / trade-off concerns
- Significant trade-off concerns

Option D – Australian-adapted IFRS framework (NFP)



Pros

- High-quality, principles-based framework
- Ability to provide NZ views and influence for not-for-profit modifications
- Greater responsiveness to local issues
- Alignment with Australia



Cons

- Limited comparability and alignment with jurisdictions other than Australia.
- Risk that New Zealand specific not-for-profit financial reporting and accountability requirements won't be addressed
- Significant transition costs and implementation disruptions from moving away from IPSAS-based standards
- Need for ongoing monitoring and development of not-for-profit adaptations to IFRS standards
- Licence restrictions – mandatory adoption of the full IFRS suite
- Resource strain in ecosystem during transition and implementation
- Concerns about high cost per entity and complexity of compliance

Option D - Australian-adapted IFRS framework (NFP)

Criteria	Analysis
Technical fitness	Fulsome framework with several IFRS-based standards providing clear principles for accounting of most complex transactions. However, not-for-profit modifications are required to provide a better fit for the NFP sector. Those modification are not developed with New Zealand specific not-for-profit financial reporting and accountability requirements in mind. IFRS-based recognition and measurement requirements may impose a level of complexity that is disproportionate for some Tier 2 entities.
Simplification	Any simplifications would be restricted to those already incorporated within Australian Accounting Standards such as reduced disclosure requirements for the Tier 2 entities.
International alignment	Australian standards are based in international recognised framework (IFRS). However, the NFP modifications are not recognised internationally and would unlikely be used outside Australia and New Zealand, reducing comparability with other NFP frameworks.
Local relevance	Standards are tailored to o Australian not-for-profit entities and their reporting environment. Although many features are comparable to New Zealand, the frameworks are not designed specifically for New Zealand circumstances.
Ecosystem	Adoption would significantly disrupt the current ecosystem, requiring substantial retraining of preparers, auditors and practitioners and changes to systems and tools. Workforce mobility may be initially reduced as the current talent pipeline is largely aligned with IPSAS-based standards. Over time, closer alignment with the for-profit framework may improve workforce mobility by making it easier for talent to work across sectors and on both sides of the Tasman.
Transition costs	Significant costs and system changes would be required. Although IFRS-based software is widely available due to its use in New Zealand's for-profit sector, modifications would be needed to support not-for-profit reporting requirements.
Ongoing costs	IFRS standards evolve regularly as global transactions change. NFP supplements also need ongoing maintenance which may increase the complexity of keeping the framework coherent and aligned with international developments. XRB could potentially work with Australia to maintain up-to-date supplements for the NFP requirements.
Move between tiers	Limited interoperability due to inconsistency in some recognition and measurement principles to IPSAS. Does not support workforce interoperability as separate training will be required to operate between the IPSAS-based Tier 1 NFP framework and an Australian IFRS-based Tier 2 framework.

- Strong fit / low concern
- Mixed fit / trade-off concerns
- Significant trade-off concerns

Option E – Locally modified standards



Pros

- Designed specifically for NFPs and tailored to NZ circumstances
- Full control over standard-setting
- Greater responsiveness to local issues
- Alignment with NZ regulatory and policy settings



Cons

- Risk of unintended consequences such as lack of coherence and complexity within the suite
- Loss of international comparability and credibility, likely to result in loss of capital investment
- Absence of readily available IT software
- High development and maintenance costs
- Workforce capability and mobility risk
- Requires extensive expertise and time to produce
- Greater risk of inconsistency and loss of credibility

Option E – Locally modified standards

Criteria	Analysis
Technical fitness	Significant time and resource requirement to create a coherent suite of standards capable of dealing with most complex NFP transactions and accountability relationships without unintended consequences. This could result in reporting principles which are relevant for the accountability of NFPs but this may not meet the needs of international stakeholders or other global users.
Simplification	Standards could be developed to be highly relevant to NFP reporting in New Zealand and can be simplified in terms of recognition, measurement and disclosures to best support users needs around NFP financial information. Elements of other international NFP frameworks can be leveraged from.
International alignment	Would not be recognised internationally and unlikely to be used outside New Zealand. However, there are limited benefits around international comparability of NFPs as most NFP source of funding is generated domestically. Australia: Not aligned
Local relevance	Standards could be tailored to New Zealand NFP policy settings and reporting needs.
Ecosystem	Adoption would significantly disrupt the current ecosystem, requiring substantial retraining of preparers, auditors and practitioners and changes to systems and tools. Workforce mobility may be reduced as the current talent pipeline is largely aligned with IPSAS-based standards.
Transition costs	Significant transition costs would arise, including policy redesign, workforce retraining and changes to systems and processes. Existing software and accounting systems are not designed for bespoke New Zealand standards.
Ongoing costs	Changes to locally developed standards could be managed domestically, but there is a risk that emerging global developments or complex issues are not addressed in a timely way due to limited local resources.
Move between tiers	Limited interoperability due to inconsistency in recognition and measurement principles. Does not support workforce interoperability as separate training will be required due to the development of a distinct domestic framework separate from the IPSAS-based Tier 1 public sector framework and / or IFRS framework.

- Strong fit / low concern
- Mixed fit / trade-off concerns
- Significant trade-off concerns



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Have your say

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Let us know if our analysis is complete or whether there are additional challenges, opportunities, or perspectives we should consider.

Your input will help inform the development of the Discussion Paper.

Scan the QR code

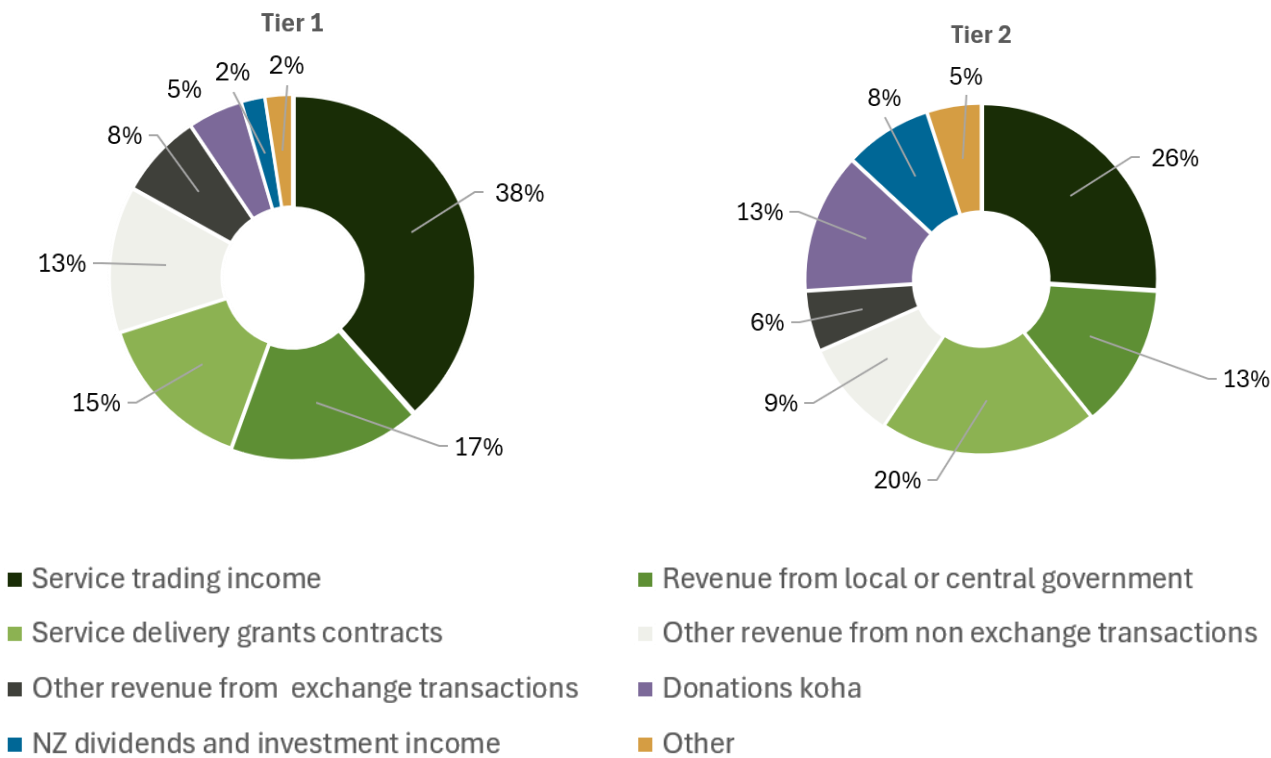
Provide feedback on this topic and help inform the development of the Discussion Paper.



Appendix 8 – Financial and operational profile of Tier 1 and Tier 2 registered charities

1. The tables below are based on information obtained from Charities.govt.nz in August 2026 and largely reflect registered charities’ 2025 financial data. For the purposes of this analysis, entities and groups were allocated to Tier 1 or Tier 2 based on their most recently reported expenses. This allocation is intended to reflect the tier in which they are required to report under the Accounting Standards Framework, rather than the tier they actually report in, as an entity may elect to report in a higher tier.
2. We analysed the information available but were unable to independently verify the accuracy, completeness or consistency of the underlying data. In particular, we identified that³³:
 - although we used data described as excluding controlled entities, some group financial information remained alongside information for individual entities within those groups, indicating that not all controlled entities had been excluded;
 - revenue and expense categories were not applied consistently across entities; and
 - some revenue and expense amounts appeared to have been incorrectly classified.
3. These limitations should be considered when interpreting the tables. Nevertheless, we consider that the information provides a useful high-level indication of the nature and composition of the operations of registered charities reporting in Tier 1 and Tier 2.

Breakdown of income



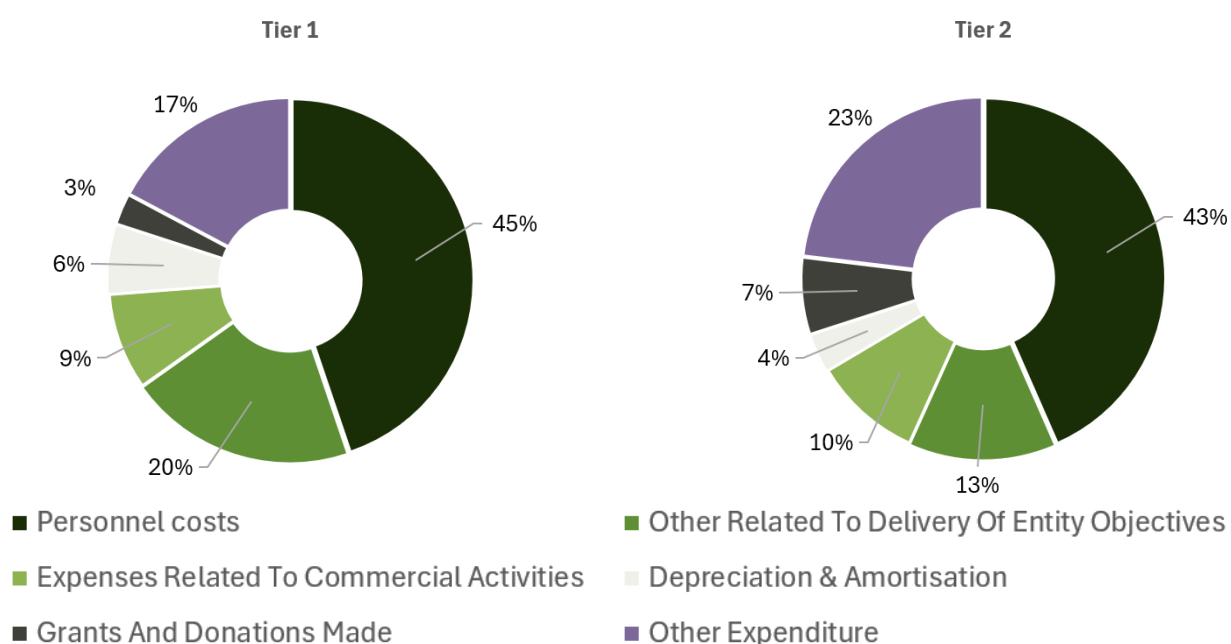
4. Service and trading income was the largest income source for both Tier 1 and Tier 2 registered charities, representing 38% and 26% of total income, respectively. This category included for example patient and medical centre fees, student tuition and boarding fees, aged-care, rest-home and hospital fees, residential college charges, learning programme fees, retail-store income, and sales of goods and

³³ To supplement the Charities Register data and gain a better understanding of certain financial statement items, we reviewed the financial statements of the 20 registered charities with the highest reported expenses in each of Tier 1 and Tier 2 (i.e. 40 financial statements).

services, including agricultural products and tourism services. However, we noted that some entities also reported government grants within this category.

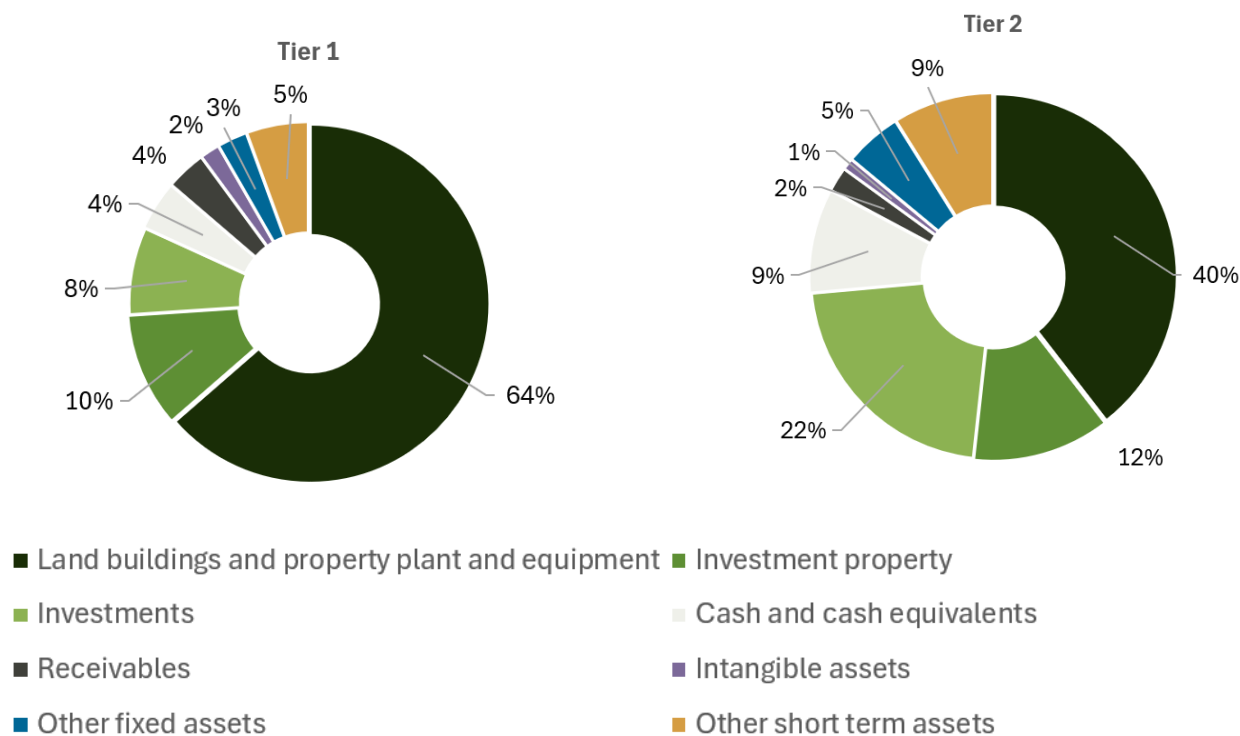
5. Other significant income sources were grants from local or central government, representing 17% of Tier 1 and 13% of Tier 2 income, and service delivery grants and contracts, representing 15% and 20%, respectively. Grants from local or central government were reported by 38.6% of Tier 1 and 30.2% of Tier 2 registered charities, while service delivery grants and contracts were reported with a similar frequency.
6. Donations were more prominent for Tier 2 registered charities, representing 13% of total income, compared with 5% for Tier 1 registered charities. However, donations were reported with a similar frequency across the two tiers, by 60.0% of Tier 1 and 56.5% of Tier 2 registered charities.

Breakdown of expenses



7. Personnel costs were the largest expense for both Tier 1 and Tier 2 registered charities, representing 45% and 43% of total expenses, respectively. These costs included salaries, wages, and other employee remuneration and related expenses. Volunteer-related expenses were not included in personnel costs and are included in other expenses.
8. Other expenses related to delivering the entity's objectives were the second-largest category, representing 20% of Tier 1 and 13% of Tier 2 expenses. This category included consumables, such as medical supplies; contracted and professional services; information technology; transport, travel and accommodation; administration; equipment maintenance; contracted teaching; leases; or air ambulance hire. For Tier 2 entities within the sample reviewed, this category commonly included cost of rental and leases and administration expenses.

Breakdown of assets



9. Land, buildings, and property, plant and equipment were the largest asset category for both Tier 1 and Tier 2 registered charities, representing 64% and 40% of total assets, respectively. As many charities did not report land and buildings separately from other property, plant and equipment, we were unable to determine the proportion attributable to each asset type.
10. Investment property was the second-largest asset category, representing 10% of Tier 1 and 12% of Tier 2 assets, although it was reported by only 22.9% of Tier 1 and 16.0% of Tier 2 registered charities.
11. Investments represented 8% of Tier 1 assets and 22% of Tier 2 assets. Based on our review of the 20 registered charities with the highest reported expenses in each tier, investments in controlled entities and equity-accounted investments represented approximately 49% of the investments held by the Tier 1 entities reviewed and 27% of those held by the Tier 2 entities reviewed. The remainder comprised mainly financial instruments measured at fair value through other comprehensive revenue and expense or through surplus or deficit.

Breakdown of liabilities

12. The Charities Register provides limited insight into the composition of liabilities, as the available information distinguishes only between current and non-current liabilities. We were therefore unable to analyse the specific types of liabilities held by Tier 1 and Tier 2 registered charities.

Appendix 9 – National financial reporting standards and guidance for NFPs

1. This appendix provides illustrative examples of how selected jurisdictions develop and maintain financial reporting standards and guidance for NFPs. It demonstrates that there is no single international approach to NFP reporting. Jurisdictions use a range of models, including IFRS-based frameworks with NFP modifications, dedicated national NFP standards, public sector standards, and emerging NFP-specific frameworks such as INPAS.
2. The information has been compiled from a range of publicly available sources (see the list below). For some jurisdictions, information was limited, not available in English, or difficult to verify using official sources. Accordingly, the information should be regarded as indicative rather than authoritative.
3. Despite these limitations, the examples illustrate that jurisdictions have adopted a variety of approaches to NFP reporting, reflecting their own legal, regulatory, funding and operating environments. The examples suggest that jurisdictions have adopted a wide range of approaches to NFP reporting and do not indicate a single dominant international model. New Zealand is unusual in integrating NFP and public-sector entities within a common PBE architecture.

Country	Approach	Reporting standard(s) or guidance
Australia	NFP - IFRS Standards modified for NFPs Public sector - National standards based on IFRS Standards¹	Besides applying the general requirements of Australian Accounting Standards (AASB Standards), not-for-profit entities are subject to additional not-for-profit-specific requirements and guidance.² AASB Standards are based on IFRS Accounting Standards but include Australian-specific requirements for transactions commonly encountered by not-for-profit entities, such as grants, donations, volunteer services and concessionary leases. Government-controlled not-for-profit entities apply the same suite of AASB Standards, supplemented by additional public-sector requirements.³ Whole-of-government financial statements are also subject to AASB 1049 Whole of Government and General Government Sector Financial Reporting.
United Kingdom	NFP - National standards Public sector - National standards based on IFRS Standards¹	Besides applying the general requirements of FRS 102 <i>The Financial Reporting Standard applicable in the UK and Republic of Ireland</i>, charities are generally required to apply the Charities Statement of Recommended Practices (SORPs) 2026.² The SORP provides additional charity-specific requirements and guidance on matters such as fund accounting, the Statement of Financial Activities and trustees' reporting. Government-controlled not-for-profit entities generally apply public sector financial reporting requirements based on IFRS Standards, as adapted and supplemented through the Government Financial Reporting Manual (FReM).⁴
Canada	NFP - Choice between National standards and IFRS Standards (if appropriate) Public sector - National standards¹	Private not-for-profit organisations can choose to apply either (a) the IFRS (in Part 1 of the CPA Canada Accounting Handbook), or (b) accounting standards for NFPOs (ASNPO) (in Part III of the Handbook). ASNPO includes not-for-profit-specific requirements and guidance, supplementing the general accounting requirements in Part II of the Handbook, on matters such as contributions, fund accounting, collections, and reporting controlled and related entities.² In addition, Canada recognises the existence of government controlled not-for profit enterprises. These entities fall in under the scope for Public Sector

¹ 2024 [International Public Sector Financial Accountability Index | IFAC](#) provides information about public sector financial accountability.

² Supplementary information to the 2021 [Consultation paper - International Financial Reporting for Non-Profit Organisations](#) (see pages 212 - 243). This document provides also detail comparison of IPSAS and IFRS with New Zealand, United States, Canada and United Kingdom reporting frameworks for NFPs.

³ International Federation of Accountants (IFAC), [Australia – Adoption of International Standards](#), section on International Public Sector Accounting Standards, which identifies Australia's accrual-based national standards framework developed by AASB.

⁴ International Federation of Accountants (IFAC), [United Kingdom – Adoption of International Standards](#), section on International Public Sector Accounting Standards, which identifies UK's accrual-based national standards framework developed by the His Majesty's Treasury.

		Accounting Standards (PSAS) set by the Public Sector Accounting Board (PSAB) and apply standards applicable to the public sector. ^{2,5}
United States	NFP - National standards (US GAAP) modified for NFPs Public sector - National standards¹	Besides applying all relevant general guidance within the US GAAP, not-for-profit entities have extensive incremental guidance within Topic 958, on non-exchange transactions, financial statement presentation, and various other not-for-profit-specific matters. There is no separate, simplified set of standards in GAAP that is equivalent to the IFRS for SMEs Standard; rather, the US GAAP contains various simplified accounting alternatives and many disclosure exemptions for business enterprises without public equity or debt. In most cases, these also apply to some or all not-for-profit entities. ² Government-controlled not-for-profit entities (such as public universities and governmental hospitals) follow GAAP issued by the Governmental Accounting Standards Board (GASB), for state and local governments, or the Federal Accounting Standards Advisory Board (FASAB), for the Federal Government. ²
India	NFP - National accounting requirements and non-mandatory NPO-specific technical guidance; application differs by legal form and governing legislation. Public sector - National government accounting requirements. ¹	Trusts, societies, section 8 companies and other NPOs are subject to different legal and regulatory requirements. The ICAI Technical Guide on Accounting for Not-for-Profit Organisations provides NPO-specific guidance, but the source material describes it as non-mandatory. General Indian GAAP and sector or legal-form requirements may therefore remain relevant. ⁶ Central government reporting has historically been cash based ⁷, with work towards accrual accounting, rather than using the private NFP framework.
China	NFP - Separate national rules for civil/non-governmental NFP organisations. Public sector - National government accounting standards. ¹	Private NFP reporting is principally addressed through China's national accounting framework for civil non-profit organisations rather than through IFRS-based business standards. The framework applies according to the entity's legal form, registration and regulatory oversight. ⁸ Government-controlled entities fall within the separate national government accounting system, which the source file describes as IPSAS-influenced. The available sources do not establish a common tiered NFP model comparable with New Zealand. ⁹
Malaysia	NFP - Legal-form-based application of private-sector standards or adapted requirements; there is no single comprehensive NFP GAAP identified in the	Depending on legal form and statutory obligations, an NFP may apply IFRS-based Malaysian Financial Reporting Standards (MFRS), the IFRS for SMEs-based Malaysian Private Entities Reporting Standard (MPERS), or other adapted requirements and guidance. The framework is therefore more closely tied to entity type and size than to a single NFP-specific suite. ¹⁰ Public-sector entities apply Malaysian Public Sector Accounting Standards, which are accrual-basis national public sector accounting standards adapted from and substantially aligned with the IPSAS. ¹¹

⁵ International Federation of Accountants (IFAC), [United Kingdom – Adoption of International Standards](#), section on International Public Sector Accounting Standards, which identifies Canada's accrual-based national standards framework developed by the Public Sector Accounting Board (PSAB).

⁶ AOSSG presentation [Capacity Building Activities: Non-Profit Reporting Frameworks – Insights from India](#) provides insight into the non-mandatory NPO-specific guidance.

⁷ International Federation of Accountants (IFAC), [India – Adoption of International Standards](#), section on International Public Sector Accounting Standards, which identifies India's cash-based national standards framework developed by the Government Accounting Standards Advisory Board (GASAB).

⁸ Sourced from the Council on Foundations paper [Accounting Regulation of Non-Profit Organizations in China](#) with the assistance of AI.

⁹ International Federation of Accountants (IFAC), [China's mainland – Adoption of International Standards](#), section on International Public Sector Accounting Standards, which identifies China's accrual-based national standards framework developed by the Ministry of Finance and assesses IPSAS as partially adopted

¹⁰ Sourced from Ecovis, [MPERS vs MFRS Malaysia: Key Differences Explained](#) and [MASB, Approved Accounting Standards for Private Entities](#) with the assistance of AI.

¹¹ International Federation of Accountants (IFAC), [Malaysia – Adoption of International Standards](#), section on International Public Sector Accounting Standards, which identifies Malaysia's IPSAS-based national standards framework developed by the Government Accounting Standards Advisory Committee.

	source file. Public sector - IPSAS-based national public-sector standards.¹	
Singapore	NFP - National private-sector standards supplemented by charity-specific recommended practice. Public sector - National public-sector requirements described in the source file as IPSAS-aligned.¹	Charities generally apply the applicable Singapore Financial Reporting Standards together with the Charities Accounting Standard or charity-specific Statement of Recommended Accounting Practice, according to eligibility and the regulatory requirements applying to the entity. These materials address charity-specific presentation and accounting matters. The Commissioner of Charities oversees charity reporting.¹² Public-sector entities follow separate government reporting requirements.¹³
South Korea	NFP - National standards determined principally by legal form and size; and there is no fully separate, universally applicable NFP GAAP. Public sector - Accrual-based national government accounting standards influenced by IPSAS.¹	NFP entities generally apply the accounting requirements associated with their legal form, including applicable Korean GAAP, K-IFRS or simplified requirements, together with sector-specific rules for foundations, charities and comparable bodies. The framework is consequently fragmented rather than a single comprehensive NFP model. Government-controlled entities apply Korean government National Accounting Standards or Local Government Accounting Standards.¹⁴
Germany	NFP - Legal-form and size-based national requirements, principally derived from the German Commercial Code rather than a separate comprehensive NFP GAAP. Public sector - Federal, state and municipal arrangements, including traditional budgetary accounting and accrual reforms.	NFP organisations may be associations, foundations, limited liability companies or other legal forms. There is no special legal form for NPOs with a public benefit purpose. Accounting requirements arise from the Handelsgesetzbuch (Commercial Code), or HGB, tax law, civil law and sector-specific legislation. Larger or incorporated entities may be subject to commercial-law financial reporting, while smaller associations and foundations may use simpler receipts-and-payments or tax-oriented records.¹⁵ Public-sector reporting is not a single nationwide NFP framework and is determined by separate legal and regulatory frameworks at the federal, state, and local levels rather than by a single national public sector accounting standard-setter. The Budgetary Principles Act permits accrual-based approaches, but the federal government continues to use cash-based budgetary accounting, while practices at the state and municipal levels remain mixed.¹⁶
Japan	NFP - Separate national standards or	NFP reporting is not governed by one comprehensive standard applying to every NFP. Applicable requirements depend on whether the entity is an incorporated

¹² Singapore [Charities Act \(Accounts and Annual Report\) Regulations 2011](#) with the assistance of AI.

¹³ International Federation of Accountants (IFAC), [Singapore – Adoption of International Standards](#), section on International Public Sector Accounting Standards which identifies Singapore’s cash-based government accounts and accrual-based Statutory Board Financial Reporting Standards (SB-FRS) derived primarily from Singapore Financial Reporting Standards and tailored to the public sector context.

¹⁴ International Federation of Accountants (IFAC), [Korea – Adoption of International Standards](#), section on International Public Sector Accounting Standards.

¹⁵ Sourced from Council on Foundations [Nonprofit Law in Germany](#), Winheller, [Annual Financial Statements for Foundations in Germany](#) and [Bookkeeping for Associations in Germany | Tax Advice](#) with the assistance of AI.

¹⁶ International Federation of Accountants (IFAC), [Germany – Adoption of International Standards](#), section on International Public Sector Accounting Standards, which identifies Malaysia’s IPSAS-based national standards framework developed by the Government Accounting Standards Advisory Committee.

	guidance by legal form, including standards for incorporated NPOs and other classes of non-business entities. Public sector – National standards, with some reference to international public-sector approaches.¹	NPO, public-interest corporation, social welfare corporation, school corporation or another legal form.¹⁷ National NPO accounting standards as the principal framework for NPO entities. Public sector accounting standards for the central government is established by the Ministry of Finance, while the Ministry of Internal Affairs and Communications (MIC) is responsible for the accounting framework applicable to local governments. Both central or local government-controlled not-for-profit entities apply accrual-based financial statements that are national standards unique to Japan.¹⁸
Kenya	NFP – Transitioning from diverse IFRS-based, donor and regulatory practices to INPAS through a national adoption roadmap. Public sector – Separate public-sector framework, with IPSAS-related reforms.	Launched the National Roadmap for the Adoption of INPAS for not-for-profit entities requiring INPAS financial statements for periods beginning on or after 1 January 2028, with narrative reporting following one year later.¹⁹ Kenya is currently in the process of adopting IPSAS (without modifications) on a full accrual basis for the government and public sector.²⁰ Full IPSAS implementation is expected by 2027.
Thailand	NFP – National, simplified or sector-requirements determined by registration and legal form. Public sector – IPSAS-based or IPSAS-influenced national standards.¹	Foundations, associations and other NFP bodies apply reporting requirements arising from the Accounting Act, registration rules and guidance issued by relevant authorities and the Federation of Accounting Professions. The NFP approach as simplified standards rather than a comprehensive separate NFP GAAP. Public-sector entities operate under a separate public-sector framework.²¹

¹⁷ Sourced from Council on Foundations [Nonprofit Law in Japan](#)

¹⁸ International Federation of Accountants (IFAC), [Japan – Adoption of International Standards](#), section on International Public Sector Accounting Standards.

¹⁹ Institute of Certified Public Accountants of Kenya (ICPAK) [Release of the National Roadmap For Adoption of the International Non-profit Accounting Standard \(INPAS\) In Kenya](#)

²⁰ International Federation of Accountants (IFAC), [Kenya – Adoption of International Standards](#), section on International Public Sector Accounting Standards.

²¹ International Federation of Accountants (IFAC), [Thailand – Adoption of International Standards](#), section on International Public Sector Accounting Standards which identifies Thai Public Sector Accounting Standards and Policies (TPSAS), which are partial-accrual national standards developed with reference to IPSAS.