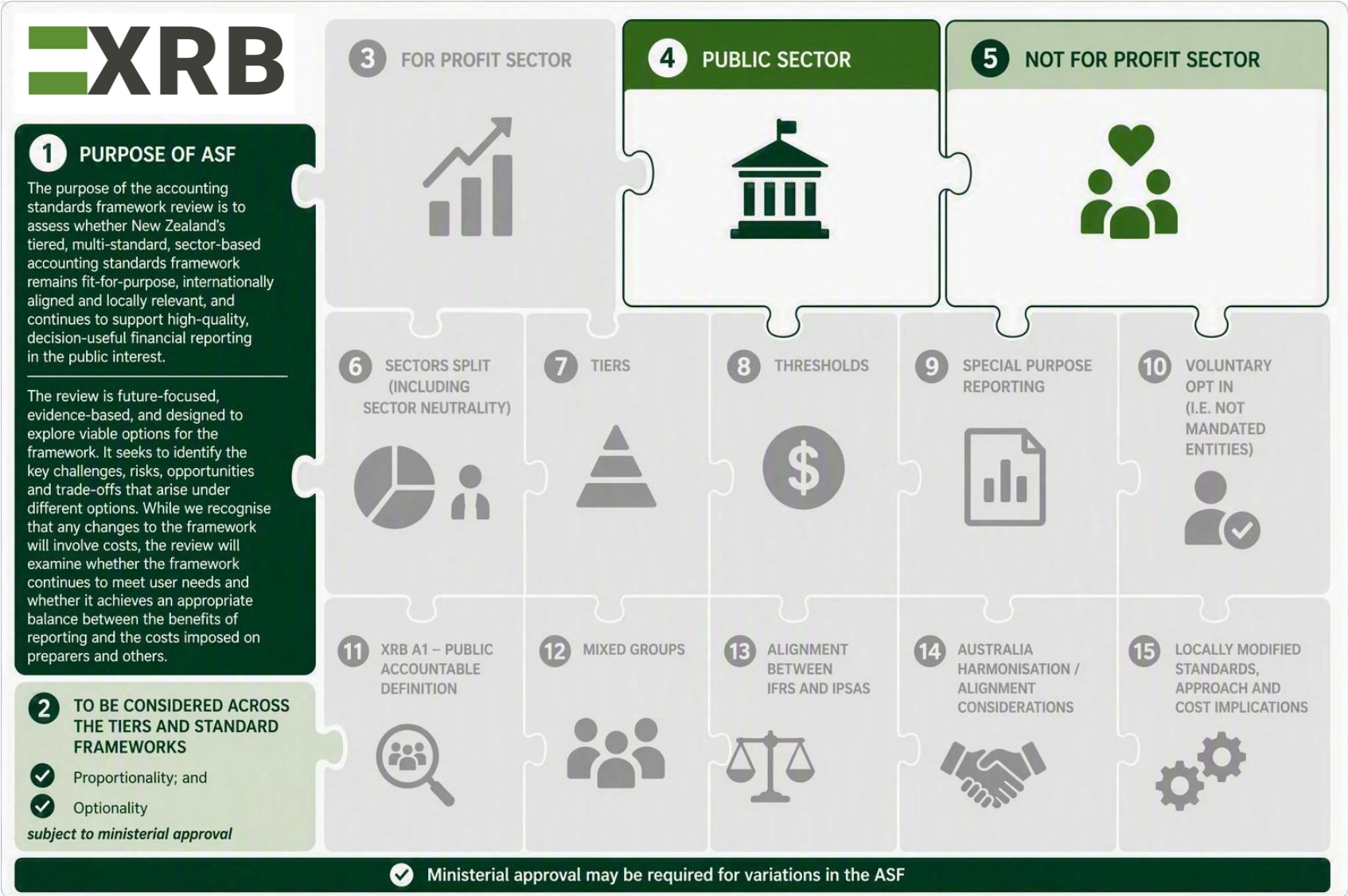


PBE sector – Tier 3 and Tier 4



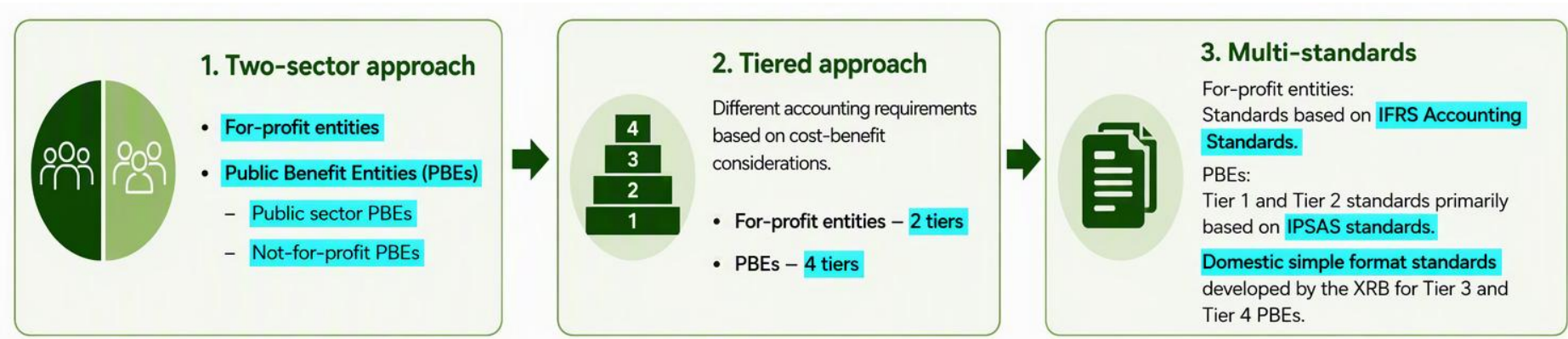
ASF Review – Where the PS and NFP Tiers 3 and 4 review fits in

The PS and NFP Tiers 3 and 4 sits within the wider Accounting Standards Framework review – as elements 4 and 5.



Accounting Standards Framework (ASF)

XRB levers



An entity identifies its sector and tier, then applies the applicable standards.

 For-profit entities	Framework
Tier 1 - Public accountability (as defined in XRB A1); or - Large public sector for-profit entity with Total expenses > \$33 million	NZ IFRS
Tier 2 - No public accountability - For-profit public sector entity with Total expenses ≤ \$33 million	NZ IFRS RDR

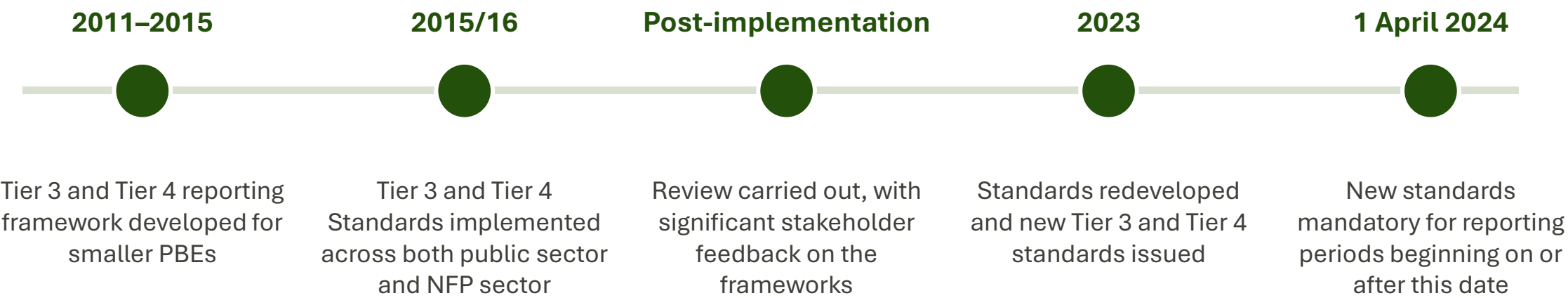
  PBE public sector and not-for-profit entities	Framework
Tier 1 - Public accountability; or - Large PBE with Total expenses > \$33 million	PBE Standards
Tier 2 - No public accountability Total expenses ≤ \$33 million	PBE Standards RDR
Tier 3 - No public accountability Total expenses ≤ \$5 million	Tier 3 Standard
Tier 4 - No public accountability - Permitted by law to use non-GAAP cash accounting	Tier 4 Standard

*Ministerial approval may be required for changes to sectors, the number of tiers, and the international standards used as the basis for New Zealand standards (Financial Reporting Act 2013, sections 31 and 32).

Background and development of Tier 3 and Tier 4



The current Tier 3 and Tier 4 framework was created to bring smaller public benefit entities into formal reporting while keeping requirements proportionate. It has since been reviewed, redeveloped and reissued.



Alternative framework options for Tier 3 and Tier 4



Alternative frameworks provide a useful benchmark for assessing whether the current framework remains fit for purpose. However, the range that is directly comparable to Tier 3 and Tier 4 PBEs is limited – most were developed for populations with different characteristics, capabilities and reporting environments.

Tier	Public sector alternative framework options	Not-for-profit alternative framework options
Tier 3	IFRS for SMEs with public sector adaptations	- Australia NFP Private Sector Framework (Tier 3 framework) - INPAS (International Non-Profit Accounting Standards)
Tier 4	IPSAS cash reporting	IPSAS cash reporting

Few relevant alternatives exist

- The existing locally developed standards were designed for the Tier 3 and Tier 4 populations
- Few international frameworks target similar populations and reporting objectives (designed for entities of this size and nature)
- Most alternatives are developed for for-profit entities or larger public sector environments
- Options may require modification to be locally relevant and reflect New Zealand circumstances

Framework analysis - assessment criteria

Each alternative framework was assessed against several key criteria.

Process followed

1

Staff prepared a high-level analysis of the alternative framework options.

2

Each framework option was evaluated by considering its benefits and trade-offs and assessing it against a set key criteria (outlined below).

Framework-level key criteria used to evaluate each option

Key criteria	Technical fitness	Simplification	International alignment	Local relevance	Ecosystem	Transition costs	Ongoing costs	Move between tiers
This means:	Technical fitness; coherent suite capable of handling PBE transactions developed with user needs in mind (preparer and user focus)	Simplification options (addressing preparers' concern about complexity)	Internationally aligned Internationally recognised and comparable - including Australia	Ability to make local modifications and/or influence internationally to enable local relevance	Ecosystem and workforce considerations (the market)	Cost of change (transition costs for preparer and ecosystem)	Ongoing costs of applying and maintaining the standards (i.e. how often are changes expected), including AI-related costs (preparer focus)	Coherence of the frameworks across other tiers (ability to move between tiers)

Tier 3 – Public Sector PBEs: Assessment of framework options

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 3 Option	Technical fitness	Simplification	International alignment	Local relevance	Ecosystem	Transition costs	Ongoing costs	Move between tiers
A. Locally developed 60 pages	●	●	N/A	●	●	●	●	●
B. IFRS for SMEs (adapted) approx. 230 pages	●	●	N/A	●	●	●	●	●



Tier Option	Key drivers of the assessment		
A. Locally developed	1. Tailored to NZ Tier 3 population	2. Ability to make continued refinements to ensure it is fit-for-purpose	3. Ongoing cost of locally developed standards
B. IFRS for SMEs adapted	1. Designed for for-profit entities	2. Requires substantial modification	3. Licence agreements limits simplification

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

Tier 3 – Not-for-profit PBEs: Assessment of framework options

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 3 Option	Technical fitness	Simplification	International alignment	Local relevance	Ecosystem	Transition costs	Ongoing costs	Move between tiers
A. Locally developed 62 pages	●	●	N/A	●	●	●	●	●
B. Australia Tier 3 approx. 110 pages	●	●	N/A	●	●	●	●	●
C. INPAS	●	●	N/A	●	●	●	●	●



Tier Option	Key drivers of the assessment		
A. Locally developed	1. Tailored to NZ Tier 3 population	2. Ability to make continued refinements to ensure it is fit-for-purpose	3. Ongoing cost of locally developed standards
B. Australia Tier 3 NFP framework	1. Not locally relevant to NZ Tier 3; likely more complex	2. Disruption to ecosystem	3. Reduces XRB control over future development
C. INPAS	1. More complex; not locally relevant to NZ Tier 3	2. Disruption to ecosystem	3. Reduces XRB control over future development

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

Tier 4 – Public Sector PBEs: Assessment of framework options

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 4 Option	Technical fitness	Simplification	International alignment	Local relevance	Ecosystem	Transition costs	Ongoing costs	Move between tiers
A. Locally developed 18 pages	●	●	N/A	●	●	●	●	●
B. IPSAS cash basis approx. 80 pages	●	●	N/A	●	●	●	●	●



Tier Option	Key drivers of the assessment		
A. Locally developed	1. Tailored to NZ Tier 4 population	2. Ability to make continued refinements to ensure it is fit-for-purpose	3. Ongoing cost of a short locally developed standard
B. IPSAS cash basis	1. International credibility and aligns with local policy settings for cash reporting	2. Designed as a transitional framework, not a fundamentally different approach	3. Increased complexity and disruption to ecosystem

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

Tier 4 – Not-for-profit PBEs: Assessment of framework options

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 4 Option	Technical fitness	Simplification	International alignment	Local relevance	Ecosystem	Transition costs	Ongoing costs	Move between tiers
A. Locally developed 18 pages	●	●	N/A	●	●	●	●	●
B. IPSAS cash basis approx. 80 pages	●	●	N/A	●	●	●	●	●



Tier Option	Key drivers of the assessment		
A. Locally developed	1. Tailored to NZ Tier 4 population	2. Ability to make continued refinements to ensure it is fit-for-purpose	3. Ongoing cost of a short locally developed standard
B. IPSAS cash basis	1. International credibility and aligns with local policy settings for cash reporting	2. Designed as a transitional framework, not a fundamentally different approach	3. Increased complexity and disruption to ecosystem

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

Preliminary observations from the assessment



Observations

- Alternative frameworks generally involved trade-offs relating to local relevance, ecosystem impacts, transition costs and framework coherence.
- The assessment did not indicate that alternative frameworks would provide clearer, simpler or more proportionate reporting outcomes for the Tier 3 and Tier 4 populations.
- The current framework reflects a decade of implementation experience, stakeholder feedback and recent redevelopment.
- Alternative frameworks would likely require local adaptation, guidance and implementation support before they could operate effectively within the New Zealand environment.

What this suggests

- Preliminary assessment supports continued use and refinement of the current framework rather than replacement with an alternative.



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD



Have your say

We welcome your feedback as we develop our thinking on the future of New Zealand's Accounting Standards Framework.

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.

**Tier 3 and Tier 4 Public Benefit
Entities Reporting Frameworks**

