

Memorandum

To: NZASB members

Meeting date: 12 October 2026

Subject: **Tier 3 and Tier 4 Public Benefit Entities (PBEs) – alternative framework analysis**

Date: 30 September 2026

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☒ **Action Required**

☐ **For Information Purposes Only**

Purpose

1. The purpose of this memo is to present staff analysis of alternative framework options for Tier 3 and Tier 4 Public Benefit Entities (**PBEs**), and to seek agreement from the Board on whether any alternative framework options should be included in the wider Accounting Standards Framework (**ASF**) Discussion Paper.
2. The memo also seeks Board feedback on the direction of the relevant excerpt for the ASF Discussion Paper and consultation questions.

Recommendations

3. The Board is asked to:
 - (a) **PROVIDE FEEDBACK** on the analysis of the current Tier 3 and Tier 4 PBE sector and reporting framework;
 - (b) **PROVIDE FEEDBACK** on staff analysis of alternative framework options for Tier 3 and Tier 4 PBEs.
 - (c) **AGREE** that none of the alternative framework options should be presented as viable options in the ASF Discussion Paper for consultation.
 - (d) **PROVIDE FEEDBACK** on the proposed Discussion Paper excerpt and proposed consultation questions.

Scope of this paper

5. This paper focuses on Tier 3 and Tier 4 PBEs that apply the Tier 3 or Tier 4 reporting requirements under the ASF.
6. The paper does not consider:
 - (a) entities that voluntarily opt in to apply Tier 3 or Tier 4 reporting standards;
 - (b) broader questions about legislative reporting thresholds; or
 - (c) the criteria used to allocate entities to tiers.

7. The paper assesses reporting framework options and their suitability for Tier 3 and Tier 4 PBEs. It does not aim to assess any of the individual requirements of these standards or propose changes to any specific recognition, measurement, presentation or disclosure requirements.
8. This paper should be read together with the PBE overview paper which provides the context for the PBE sector reporting frameworks, including the common assessment criteria, and other cross-cutting matters relevant to PBEs.
9. This paper applies that context to the Tier 3 and Tier 4 PBE population including both Public Sector PBEs and Not-for-Profit PBEs. For this assessment, the relevant starting point is the current locally developed Tier 3 and Tier 4 reporting frameworks in New Zealand for those entities required by legislation to apply XRB standards.

Contents

Section	Purpose
<u>Background and context including legislative and regulatory environment</u>	Provides the tier-specific context needed to understand the reporting population, current requirements and the legislative settings that determine which entities prepare GAAP or non-GAAP financial statements.
<u>Characteristics of Tier 3 and Tier 4 PBEs including information needs of users and preparer considerations</u>	Describes the nature, scale and diversity of entities within the relevant tier, including features that may affect the framework assessment. Considers the information needs of users and the practical, audit and cost considerations for preparers applying the framework
<u>Development of Tier 3 and Tier 4 Standards</u>	Provides context for Tier 3 and Tier 4 reporting, including a description of the post-implementation review and resulting standard-setting changes.
<u>Insights and challenges with the current framework</u>	Explains how the current framework operates in practice, including identified benefits, challenges and implementation issues.
<u>Considering alternative framework options</u>	Identifies the framework options considered for the relevant tier, including the current framework and alternative options within the scope of the paper. Assesses each framework option using the common framework-level criteria and identifies the key benefits, limitations and implications of each option.
<u>Overall observations</u>	Summarises the overall assessment and identifies whether the framework option or options should be presented for consideration in the public discussion paper.

Appendix Contents

Factsheets:

- IFRS for SMEs
- INPAS

High-level information on:

- Australia Tier 3 NFP framework
- IPSAS cash basis

Summary slides

Background and context

What are Tier 3 and Tier 4 PBEs?

4. The Accounting Standards Framework (ASF) aims to meet users' needs and balance the costs and benefits of reporting by differentiating reporting requirements based on an entity's sector and tier classification.
5. Entities are first classified according to their sector and then assigned to a reporting tier based on size and/or public accountability. Those classifications then determine the reporting requirements that apply to the entity.
6. This is displayed in the table below.

Sector	Classification basis	Tiers and standards framework
For-profit	Entity is not a PBE	Tier 1 – public accountability - NZ International Financial Reporting Standards (NZ IFRS) Tier 2 – NZ IFRS reduced disclosure regime
PBE sector	Meets the PBE definition Must then classify as a public sector PBE or a not-for-profit PBE	Tier 1 – public accountability or expenses over \$33 million - PBE Standards based on International Public Sector Accounting Standards (IPSAS) Tier 2 – expenses less than \$33 million - PBE Standards reduced disclosure regime Tier 3 - expenses less than \$5 million – domestic Tier 3 Standard (simplified requirements – accrual based) Tier 4 – defined by legislation (rather than by the XRB); must have operating payments of less than \$140,000 in each of the last two accounting periods - domestic Tier 4 Standards (simplified requirements – cash based)

7. In this memo we are focussing on Tier 3 and Tier 4 PBEs across both the public sector and the not-for-profit sector, and the standards that have been developed by the XRB for these populations.

What was the rationale behind forming Tier 3 and Tier 4?

8. Through the 2011-2013 financial reporting reforms, changes to New Zealand's external reporting legislation required many small public benefit entities (PBEs), particularly charities, some Māori asset governance entities, and other not-for-profit organisations, to prepare financial statements in accordance with generally accepted accounting practice (GAAP) for the first time. GAAP was redefined within the Financial Reporting Act 2013 as complying with applicable financial reporting standards issued by the External Reporting Board. This definition no longer

included the more general use of accounting policies that have authoritative support within the accounting profession.

9. These reforms were based on ensuring that general purpose financial reports (GPFR) were prepared by entities across New Zealand's reporting landscape as appropriate (i.e. the preparation of financial statements for users that are not in a position to request particular information from the entity directly).
10. Several key policy considerations were identified to help understand where a requirement to prepare GPFR may be appropriate or necessary. These policy considerations included public accountability, economic significance, and separation between ownership and management.¹
11. From a public benefit entity perspective, policy makers ultimately considered that certain entities were publicly accountable because they are effectively owned by the wider public and/or are commonly funded through taxes, rates, donations, grants, or other forms of public support. Accordingly, it was concluded that these entities should provide financial information for accountability and transparency purposes to users who are unable to demand it directly. However, many affected entities were small, meaning full PBE Standards would have imposed disproportionate compliance costs relative to the size of the entity and the likely information needs of their users.
12. The policy reforms therefore contemplated additional reporting tiers, with the XRB tasked with developing appropriately scaled reporting requirements that would maintain accountability while achieving a better balance between the benefits and costs of reporting. As a result, Tier 3 and eventually Tier 4 (in recognition of the needs of the smallest of PBEs) were formed.
13. The XRB was empowered by the Government to develop simple format reporting requirements for these entities that would align with policy intention to provide simple, accessible and proportionate reporting requirements. The Tier 3 requirements were intended to include a statement of financial performance, a statement of financial position, and simple service performance reporting, while Tier 4 was intended to be simple cash reporting. Both approaches were intended to follow a templated 'fill the boxes' type approach to make reporting simple for these smaller PBEs which may not have spare resources.
14. At the time, the XRB also considered the broader question of other appropriate reporting frameworks (particularly for the not-for-profit PBEs). In doing so, it noted that there was no internationally recognised accounting framework specifically designed for not-for-profit entities and expressed concerns about whether jurisdiction-specific alternatives would be sufficiently robust, appropriate for New Zealand circumstances, or coherent with New Zealand's wider reporting framework.

Legislative settings

15. The financial reporting reforms were implemented primarily through amendments to legislation governing the relevant entity types². Where policy makers concluded that particular entities should prepare GPFR, the relevant legislation was amended to require the preparation of financial statements in accordance with financial reporting standards issued by the XRB. Depending on the legislative requirements applying to the entity, this could involve reporting in accordance with either GAAP³ or a non-GAAP standard⁴.

¹ For further detail refer to the 2009 Discussion Document published by the Ministry of Economic Development detailing these proposals.

² Note that amendments were made to a wide range of legislative regimes that govern different entity types/specific entities.

³ Defined as financial reporting standards issued by the XRB – [s5 Financial Reporting Act 2013](#)

⁴ Defined as financial reporting standard (i.e. a financial reporting standard issued by the XRB) that is stated in the standard to be a non-GAAP standard – [s5 Financial Reporting Act 2013](#)

16. The reforms also reflected the deliberate policy decision that the smallest PBEs should be permitted to prepare simple cash-based reports rather than GAAP-compliant accrual-based financial statements.
17. To give effect to this policy, the concept of a *specified not-for-profit entity*⁵ was introduced into the Financial Reporting Act 2013 and relevant legislation. In those legislative regimes where the concept applies, this definition establishes the size criteria under which an entity must prepare financial statements in accordance with GAAP. Entities that do not meet the definition are instead permitted to prepare financial statements in accordance with a non-GAAP standard issued by the XRB.
18. The XRB reflects this distinction through the reporting tiers set out in [XRB A1 Application of the Accounting Standards Framework](#). XRB A1 establishes Tier 3 as a GAAP reporting tier for PBEs that do not have public accountability and have expenses below a specified threshold (currently \$5 million⁶) and identifies Tier 4 as the reporting tier comprising a non-GAAP standard.
19. As a result, although Tier 3 and Tier 4 are both part of the domestic PBE reporting framework, their populations are defined differently. The eligibility for Tier 3 is determined by the XRB through the reporting standard XRB A1, whereas the Tier 4 population is determined through primary legislation and associated legislative definitions. Consequently, changes to Tier 3 eligibility can generally be considered by the XRB, whereas fundamental changes to Tier 4 eligibility would require legislative change.

Who are Tier 3 and Tier 4 reporters, and how many are there?

20. Tier 3 and Tier 4 reporters fall across both the public sector and the not-for-profit sector. Public sector and not-for-profit PBEs are defined in XRB A1 as:
 - (a) A public sector PBE comprises public entities, as defined in the Public Audit Act 2001, and all Offices of Parliament.
 - (b) A not-for-profit PBE is any PBE that is not a public sector PBE.
21. The table below outlines the type of entities that make up these respective populations.

PBE sector	Tier 3 and Tier 4 Examples	Estimated population (where known)
PBE sector (Public sector PBE)	These entities comprise a diverse range of organisations established or governed through legislation to fulfil public, community, stewardship or regulatory functions. These include: • See Schedule 1 Public Audit Act 2001 for classes of public entities (whereby some may qualify for Tier 3 and Tier 4) – often includes: ○ Cemetery Boards ○ Reserves Boards ○ Provincial Patriotic Councils ○ Rural Education Activities Programmes	Tier 3 and Tier 4 public sector PBEs⁷ • Approx. 200 entities • Circa 160 entities applying Tier 3, and 40 entities applying Tier 4. • Does not at this point in time include schools (as they currently opt up into Tier 2). However, if this were to change circa 1,800 additional entities may apply Tier 3.

⁵ An entity is a specified not-for-profit entity in respect of an accounting period if, in each of the 2 preceding accounting periods of the entity, the total operating payments of the entity and all entities it controls (if any) are \$140,000 or more - [s46 Financial Reporting Act 2013](#)

⁶ Originally \$2 million, was updated to \$5 million from 28 March 2024 – see [Updated PBE tier sizes \(issued February 2024\)](#)

⁷ Data based on records shared by the Audit Office

	See Schedule 2 Public Audit Act 2001 for specifically listed public entities (whereby some may qualify for Tier 3 and Tier 4)	
PBE sector (Not-for-profit PBE)	- Registered charities - Incorporated societies - Agricultural and Pastoral societies (A&P societies) - Friendly societies - Māori Asset Governance Entities: - Māori Trust Boards - Māori Land Trusts - Māori Incorporations (where not-for-profit) - Māori Reservations	Tier 3 and Tier 4 not-for-profit PBEs - Approx. 33,000 + entities; includes registered charities (26,000) and incorporated societies that are not also registered charities (approx. 7,000 – 9,000)⁸ - Circa 8,000 registered charities are eligible for Tier 3 and 18,000 are eligible for Tier 4. Estimates for incorporated societies that are not also registered charities indicate 3,500 – 5,500 are eligible for Tier 3 and 3,500 are eligible for Tier 4⁹ - The volume of other entities applying Tier 3 and Tier 4 is rather small in comparison to these populations. For instance, A&P societies and friendly societies populations are small (likely less than 100 entities each that apply Tier 3 and Tier 4).

Characteristics of the Tier 3 and Tier 4 populations

22. Although these entities are classified into the PBE sector, and fall within the lower tiers of the reporting framework, there are important differences, as well as areas of commonality, between public sector PBEs and not-for-profit PBEs that apply Tier 3 and Tier 4.
23. These characteristics have been an important consideration in the development of the Tier 3 and Tier 4 Standards, which seek to balance accountability and transparency with the capability, resources, and information needs across both these reporting populations.
24. Most notably, these differences arise in respect of the preparers, users, and the levels of scrutiny and accountability across these sub-sectors.

PBE sector	Specific characteristics
PBE sector (Public sector PBE)	Preparers - Finance teams, shared services, outsourced accountants. - Technically capable but preparation of GPFR for these entities may not be a primary focus Users and information needs - Resource providers and service recipients; but more specifically they have clear accountability to Ministers, related agencies, and beneficiaries or communities they impact. - There is an emphasis on information on stewardship of resources, how public funds have been spent (efficiency, effectiveness and probity), services that have been delivered, and how public assets have been used. Funding

⁸ Registered charities data collated from publicly available dataset provided by Charities Services, while estimates for incorporated societies are based on sample data across this population.

⁹ These estimates are based on information provided by the incorporated societies registrar, which noted that across the 2022 to 2023 period, an average of 5,597 societies would meet Tier 1-Tier 3 requirements, and an average of 3,552 societies would meet Tier 4 requirements but would not be considered a 'small' society (which can choose to apply other financial reporting requirements set out in the Incorporated Societies Act).

	- Public sector status is not necessarily indicative of how an entity is funded, and funding arrangements can vary considerably across the population. - Funding arrangements across the Tier 3 and Tier 4 public sector population may include government funding, grants, rates, levies, licence fees, user charges, fees for services, other commercial income, investment income and other revenue sources. - Although many Tier 3 and Tier 4 public sector PBEs are relatively small entities, they operate within a broader public accountability environment and are often responsible for managing public resources, community assets or delivering services intended to benefit the public or a defined community. - As a result, users are often interested in how those resources have been obtained, managed and applied, whether services have been delivered effectively, and whether resources have been used for their intended purpose. - Accountability expectations are therefore often linked to stewardship, transparency and public interest considerations rather than the size of the entity alone.
PBE sector (Not-for-profit PBE)	Preparers - Volunteers, part-time treasurers, outsourced accountants. - Turnover, capability gaps and resource constraints are often more pronounced than in the public sector. Users and information needs - There can be a diverse range of users - donors, funders, members, service recipients, regulators, and the general public. While many of these users have similar information needs to public sector users, they may also be interested in not-for-profit-specific information, including fundraising, donations, member fees, bequests, volunteer costs, and endowment assets, rather than the direct use of taxpayer funds. - Scrutiny can also vary across this sub-sector. For example, charities may face more external scrutiny (general public or regulators) whereas incorporated societies may face greater internal scrutiny (members etc.). Funding¹⁰ - Tier 3 and Tier 4 charities are funded through a diverse mix of donations, grants, service delivery activities, membership fees, investments and commercial activities. - For Tier 3 charities, government service delivery contracts represent the largest single source of revenue (approx. 25%), followed by donations (approx. 20%) and commercial activities (approx. 17%). - Tier 4 charities rely more heavily on donations (approx. 44%) and grants (approx. 13%), reflecting the smaller scale and community-based nature of many organisations. - These funding patterns indicate that even relatively small entities are often entrusted with significant amounts of public, donor, member and community resources, creating ongoing accountability and transparency expectations. Noting that Tier 3 charities generally exhibit more diversified funding profiles, whereas Tier 4 charities tend to be more reliant on donations and grants. - Equivalent funding data is not available for incorporated societies. However, given their membership-based structure, membership subscriptions, participation fees and member-funded activities are expected to represent a larger proportion of funding than is typically observed amongst charities.

25. While the Tier 3 and Tier 4 Standards have been developed to meet user information needs and achieve an appropriate balance between the costs and benefits of reporting, the broader reporting ecosystem is also an important consideration. This includes the role of intermediaries,

¹⁰ Staff have analysed data from the Charities Services register, in respect of Tier 3 and Tier 4 charities that have filed 2026 annual returns to date.

software providers, templates, auditors, regulators, and other parties that influence how reporting requirements are implemented in practice.

26. While public sector and not-for-profit entities operate within different legislative and accountability frameworks which may impact how, when, and to whom they report, many Tier 3 and Tier 4 entities share similar practical reporting circumstances. Across both sectors, entities may rely on outsourced accounting support or intermediaries, and face similar capability, resource, and implementation considerations. These shared characteristics, together with broadly similar reporting requirements, have contributed to the development of a common reporting ecosystem in which preparers, governing bodies, accountants, auditors, software providers, regulators, and other intermediaries interact with the reporting framework in similar ways

PBE sector	Shared characteristics
Tier 3 and Tier 4 PBEs (both public sector PBEs and not-for-profit PBEs)	How reports are produced • Reports are often produced through accounting software systems (e.g. Xero) or XRB templates, while intermediaries may produce out of their own systems. Influences on reporting behaviour • External accountants, auditors and regulators play a significant role in shaping reporting practice across these tiers. • The capability and experience of intermediary assistance currently varies across the market in respect of Tier 3 and Tier 4 – the large scale and resource constrained nature of not-for-profit entities in particular, means a wide range of intermediaries are applying these reporting requirements. • Resource constraints are a significant driver of reporting behaviour, particularly for not-for-profit entities where ease of preparation and low cost may cause tension with the requirements of the Standards. • Governing boards/committees influence key judgements and outcomes (e.g. clarity for users in reporting, or compliance with the Standard etc.) • Regulators and oversight bodies (e.g. Charities Services, CA ANZ, auditors) reinforce expectations regarding reporting quality and compliance with the Standards. • In practice, XRB templates often become the starting point for reporting rather than the underlying Standards themselves.

27. These characteristics highlight that the effectiveness of the Tier 3 and Tier 4 framework is influenced not only by the technical requirements of the Standards themselves, but also by how those requirements interact with preparers, users, intermediaries, software solutions, templates, regulators, and other participants in the reporting ecosystem.

Development of Tier 3 and Tier 4 Standards

28. The Tier 3 and Tier 4 Standards were developed between 2011 and 2015 and became effective following the introduction of the Financial Reporting Act 2013. Prior to these reforms, reporting requirements for many smaller public benefit entities varied considerably. Some entities were subject to prescribed reporting requirements, while others prepared financial statements using a range of reporting practices with limited consistency across the sector.
29. The introduction of Tier 3 and Tier 4 reporting represented a significant change for many smaller entities. For the first time, large populations of public benefit entities were provided with reporting requirements specifically designed for their size, capability and accountability obligations. The standards sought to provide a practical and proportionate reporting framework while improving the quality, consistency and transparency of financial reporting.

30. As entities began applying the new requirements, implementation experience highlighted both the benefits of a common reporting framework and a range of practical issues relating to the application of the Standards. These included questions regarding understandability, complexity, proportionality, ecosystem capability and the suitability of some requirements for the populations they were intended to serve.
31. These experiences, together with broader stakeholder feedback, subsequently informed the post-implementation review of the Tier 3 and Tier 4 Standards.

Post Implementation Review of Tier 3 and Tier 4

32. Following the initial implementation of the Tier 3 and Tier 4 Standards, the NZASB initiated a comprehensive post-implementation review (PIR) in 2020 to assess whether the Standards were operating as intended and achieving their objectives. The review considered whether the reporting requirements were meeting user needs, improving the quality and consistency of reporting, and achieving an appropriate balance between accountability and reporting costs. The review also considered whether any issues had emerged since implementation and whether amendments were required.
33. The PIR involved extensive consultation across the reporting ecosystem. The NZASB issued a Request for Information in 2020 and received more than 100 submissions through written responses, surveys, interviews and other stakeholder engagement activities. Feedback was received from preparers, auditors, regulators, professional bodies and other stakeholders involved in the preparation, use and oversight of Tier 3 and Tier 4 reports.
34. Overall, the PIR found that the Tier 3 and Tier 4 Standards were working well and achieving their intended objectives¹¹. Respondents generally considered that the Standards had improved the quality, consistency and comparability of information reported by smaller PBEs, provided a clear reporting structure, and enhanced accountability through the inclusion of both financial and service performance information. Performance reports prepared under the Standards were generally considered to provide sufficient information to meet the accountability and decision-making needs of users.

Key issues identified

35. Although the overall feedback was positive, the PIR identified several areas where further refinements were required. The nature of these concerns differed between Tier 3 and Tier 4.
36. For Tier 4 entities, feedback focused primarily on the accessibility of the Standard. Many respondents considered that the Standard, guidance material and templates were too lengthy, technical and compliance-focused for the smallest reporting entities. Concerns were particularly evident among smaller NFP entities that often relied on volunteers and had limited access to accounting expertise. Respondents emphasised the need for a shorter, simpler and easier-to-apply Standard.
37. For Tier 3 entities, feedback suggested that the overall framework was operating effectively but that several operational issues were creating unnecessary complexity or diversity in practice. Common themes included:
 - (a) concerns that revenue recognition requirements were too restrictive, particularly the "use or return" condition applied to grants and funding arrangements;
 - (b) difficulties associated with asset revaluations and the need to opt up to Tier 2 requirements for certain assets;

¹¹ [Feedback Statement 'Review of Simple Format Reporting Standards'](#)

- (c) challenges in applying service performance reporting requirements and terminology;
 - (d) concerns regarding minimum income and expenditure categories, consistency of reporting and comparability; and
 - (e) uncertainty surrounding areas requiring significant judgement or interpretation.
38. The PIR also identified broader ecosystem themes affecting both tiers. These included calls for additional education and implementation support, greater clarity regarding the meaning of "significant", improved guidance on related party disclosures and consolidation requirements, and further consideration of how the Standards could better reflect Te Ao Māori perspectives and reporting practices.

Redevelopment of the framework

39. In response to the PIR, the NZASB undertook a significant redevelopment of the Tier 3 and Tier 4 reporting requirements. The objective was not to replace the existing framework, but to refine and improve it based on implementation experience and stakeholder feedback.
40. For Tier 3, the NZASB concluded that the core framework remained fit for purpose and therefore adopted a targeted improvement approach rather than a fundamental redesign. Changes focused on addressing the most significant operational issues identified through the PIR. These included:
- (a) introduction of a revised revenue recognition approach intended to better align revenue recognition with an entity's underlying funding arrangements and activities;
 - (b) simplified approaches to asset valuation and revaluation;
 - (c) improvements to service performance reporting requirements and guidance; and
 - (d) refinements to reporting categories, disclosures and accumulated funds reporting.
41. For Tier 4, the NZASB adopted a more substantial simplification strategy. While alternative approaches were considered during the review, the NZASB ultimately retained the Tier 4 framework and focused on improving ease of use. The revised Tier 4 Standard was shortened, simplified and rewritten using less technical language. Non-essential requirements were removed or made optional, judgement requirements were reduced where possible, and the Standard was redesigned to be more accessible for preparers with limited accounting expertise.

Recently issued Tier 3 and Tier 4 Standards

42. Following completion of the PIR and subsequent standard-setting process, the NZASB issued new Tier 3 and Tier 4 Standards for both public sector and not-for-profit PBEs in May 2023. The new Standards incorporated the key outcomes of the review process and reflected extensive consultation with preparers, auditors, regulators and other stakeholders.
43. The new Standards became mandatory for accounting periods beginning on or after 1 April 2024. For many entities, the first reporting period prepared under the revised requirements was the year ending 31 March 2025.
44. Consequently, the revised Tier 3 and Tier 4 Standards have only recently become operational, and at the time of this review, many entities have completed only one or two reporting cycles under the revised requirements.
45. This is particularly relevant when considering alternative framework options. The current Tier 3 and Tier 4 Standards are not the same standards that were originally introduced as part of the Accounting Standards Framework reforms (like other elements of the ASF). Rather, they represent the culmination of more than a decade of implementation experience, a

comprehensive post-implementation review, extensive stakeholder consultation, and targeted standard-setting improvements.

46. The current framework has therefore had limited time to demonstrate whether the changes introduced through the redevelopment process have fully addressed the issues identified by stakeholders. This is an important consideration when assessing whether more fundamental changes to the Tier 3 and Tier 4 framework are warranted at this stage.

Insights and challenges: continued application of Tier 3 and Tier 4

47. While the revised Tier 3 and Tier 4 Standards have only recently become mandatory, several observations can be made from ongoing engagement with preparers, intermediaries, auditors, regulators and other participants within the reporting ecosystem. These observations provide useful context when considering the future direction of Tier 3 and Tier 4 reporting requirements but do not mean that the current Tier 3 and Tier 4 frameworks are ineffective at present.

Capability, awareness and application

48. Capability continues to be a significant consideration, particularly within the NFP sector. Many Tier 3 and Tier 4 reports are prepared by volunteers, part-time treasurers, governing body members, or external accounting firms servicing large numbers of small entities. Personnel turnover, varying levels of accounting knowledge, and limited organisational resources can all affect awareness of reporting obligations and the consistency with which reporting requirements are applied across the population.
49. Experience from the first year of implementation suggests that reporting outcomes are influenced by a combination of technical requirements, preparer capability, awareness of obligations, implementation support/guidance, and broader ecosystem factors. In many cases, challenges arise not solely from the requirements of the Standards themselves, but from understanding which reporting requirements apply, how they should be implemented, and how changes to reporting obligations should be reflected in practice.
50. Early implementation experience also suggests that awareness and adoption of the revised Tier 3 and Tier 4 Standards is still evolving across parts of the reporting population. This is not unexpected given the revised Standards were only recently introduced and many entities, intermediaries and users are continuing to adapt to the new requirements. As a result, some observed issues may reflect transition and implementation challenges rather than shortcomings in the underlying Standards themselves.

Cost and proportionality

51. Cost and proportionality remain recurring themes, particularly within the NFP sector. For many entities, the costs of preparing financial statements, obtaining professional assistance, or meeting assurance requirements can be significant relative to the resources available to the organisation. These concerns tend to be most pronounced amongst smaller entities that rely heavily on volunteers and operate with limited administrative capacity.
52. Recent policy discussions have also highlighted continuing questions regarding the appropriate reporting expectations for the smallest entities. For example, the Incorporated Societies Act 2022 does not require smaller societies¹² to apply the Tier 4 Standard. This illustrates that proportionality and minimum reporting requirements remain active policy considerations for some parts of the smaller PBE reporting population.

¹² [Incorporated Societies Act 2022 – s102\(2\)\(b\)\(iii\)](#)

Coherence in and across tiers

Coherence between Tier 3 and Tier 4

53. The relationship between Tier 3 (accrual basis) and Tier 4 (cash basis) continues to generate practical questions for entities. Although size thresholds form part of the tiering framework, the basis of accounting can be equally influential in determining reporting behaviour. Tier 4 is a cash-based reporting framework, whereas Tier 3 is based on accrual accounting. Consequently, entities that maintain accrual accounting records, track fixed assets and depreciation, prepare budgets on an accrual basis, or otherwise operate using accrual concepts often choose to apply Tier 3 even when they may also be eligible to apply Tier 4.
54. This creates an environment where the accounting basis may be a stronger determinant of reporting behaviour than entity size alone. For some smaller entities, this can result in the application of Tier 3 reporting requirements despite having resource levels more commonly associated with Tier 4 entities.

Coherence within Tier 3

55. Questions regarding coherence within Tier 3 have also become more prominent over time. When originally introduced, Tier 3 was intended as a simplified accrual-based reporting framework for smaller entities. In March 2024, the Tier 3 threshold increased from \$2 million of expenses to \$5 million of expenses, expanding the range of entities eligible to apply the Tier. As entity size, operational complexity and transaction complexity increase, the appropriateness of a single simplified framework for the full Tier 3 population may need further consideration. This is particularly relevant where Tier 3 now accommodates entities that differ significantly in scale, sophistication and reporting needs.
56. The redevelopment of Tier 3 sought to provide a more comprehensive and self-contained reporting framework, reducing the circumstances in which entities need to refer to Tier 2 PBE Standards. Changes such as the introduction of valuation requirements and revisions to revenue recognition requirements reduced the need for entities to look beyond the Tier 3 requirements when accounting for common transactions and events. Noting that, [paragraph 8 of the Tier 3 Standard](#) continues to direct entities to consider Tier 2 PBE Standards where Tier 3 does not provide guidance on a specific transaction or event.
57. As the increase in the Tier 3 threshold has expanded the population of eligible entities, a broader range of transactions, arrangements and levels of transaction complexity may now be encountered within the Tier 3 population. In some circumstances, entities may need to develop accounting policies by reference to the requirements of Tier 2 PBE Standards for matters such as intangible assets, investments, employee benefits, agriculture and other more complex transactions¹³. While this supports the application of appropriate accounting treatments, it may also result in greater variation in accounting practices across Tier 3 entities, depending on the nature and complexity of transactions undertaken and the extent to which Tier 2 requirements are applied.
58. At this stage, there is limited evidence to suggest that substantial numbers of entities are frequently needing to refer to Tier 2 requirements following the recent reissue of the Tier 3 Standard. However, we are aware that this may continue to be necessary in some circumstances. Depending on the characteristics of the population intended to be served by

¹³ This excludes interests in other entities, including controlled entities, associates and joint arrangements, where the Tier 3 Standard explicitly requires application of the relevant Tier 2 requirements through [Appendix D](#)

Tier 3 in the future, this may be a relevant consideration in how the Tier continues to be refined and developed over time.

Ecosystem influences

Implementation and reporting outcomes

59. Reporting outcomes for Tier 3 and Tier 4 entities are influenced by a broader ecosystem extending beyond the Standards themselves. External accountants, auditors, regulators, software providers and sector bodies all influence how reporting requirements are interpreted, applied and enforced in practice through the templates they provide, advice they give, audit expectations they set, and guidance they issue. For many smaller PBEs, interaction with these participants is more frequent than interaction with the Standards themselves.
60. Templates also play a particularly important role in shaping reporting behaviour. Given the resource constraints that exist throughout the Tier 3 and Tier 4 population, preparers commonly begin with a template and adapt it to their circumstances rather than starting with the underlying Standard. As a result, changes to reporting frameworks are often implemented through templates, software, intermediary practices and implementation guidance, rather than through the Standards alone.
61. Awareness of applicable reporting requirements, adoption of revised Standards, the judgements applied by preparers, expectations of auditors, and guidance issued by regulators can all influence how reporting requirements are implemented in practice, and ultimately the consistency and quality of reporting outcomes. This is particularly relevant given the recent introduction of the revised Tier 3 and Tier 4 Standards and the ongoing transition to those requirements across parts of the reporting population.

Assurance and compliance environment

62. For many Tier 3 and Tier 4 entities, reporting costs are influenced not only by the preparation of financial statements, but also by associated assurance requirements. For example, charities with operating expenditure exceeding \$550,000 in each of the previous two financial years are generally required to obtain a review engagement, while charities with operating expenditure exceeding \$1.1 million in each of the previous two financial years are generally required to obtain an audit.
63. Consequently, changes in reporting requirements can have implications not only for preparers, but also for assurance practitioners and regulators operating within the wider reporting ecosystem responsible for supporting implementation and compliance. While assurance thresholds sit outside the Accounting Standards Framework, they may influence how entities experience the costs and benefits of Tier 3 reporting requirements¹⁴ in practice.
64. The interaction between reporting requirements, assurance requirements and regulatory expectations therefore influences the practical cost of applying the Tier 3 framework. As a result, consideration of proportionality and reporting burden may need to take into account the broader assurance and compliance environment within which entities operate.

Considering alternative framework options

Why consider alternative frameworks?

65. A key objective of the ASF review is to assess whether the current Tier 3 and Tier 4 reporting framework remains fit for purpose, noting the context above that the Tier 3 and Tier 4

¹⁴ In some cases, Tier 4 reporting requirements also. Public Sector entities are generally subject to an audit.

frameworks are a different starting point compared to other frameworks in the ASF (i.e. they are locally developed by the XRB as opposed to internationally developed, and have recently been refined/redeveloped based on experiences of the sector).

66. While the current framework has been locally developed and refined based on stakeholder feedback, consideration of alternative frameworks provides a useful benchmark against which the current framework can be assessed. It enables consideration of whether alternative approaches may offer advantages in meeting the needs of users, preparers and other participants within the reporting ecosystem.

Identifying alternative frameworks

67. In undertaking this review, staff considered whether alternative framework options exist that may be relevant to Tier 3 and Tier 4 PBEs.
68. The range of alternative frameworks that appear directly comparable and relevant to Tier 3 and Tier 4 PBEs is limited. Many international frameworks were developed for reporting populations with different characteristics, capabilities, resources and reporting environments than those commonly observed across the Tier 3 and Tier 4 population. Many jurisdictions also have differing legislative requirements around which entities must prepare GPFR, and the requirements they must use.
69. Furthermore, the current Tier 3 and Tier 4 framework applies across both public sector and not-for-profit PBEs, with relatively minor differences between sectors. However, in considering alternatives, staff identified the framework options most relevant to the public sector and not-for-profit populations independently.
70. The following alternative frameworks were identified for preliminary assessment. See the [Appendix](#) for a summary of these frameworks:

Tier	Public Sector alternative framework options	Not-for-profit sector alternative framework options
Tier 3	IFRS for SMEs	Australian Tier 3 Framework for private not-for-profit entities International Non-Profit Accounting Standards (INPAS)
Tier 4	IPSAS – Financial reporting under the cash basis of accounting (IPSAS cash basis)	IPSAS - Financial reporting under the cash basis of accounting (IPSAS cash basis)

71. These frameworks were identified as being potentially relevant to the Tier 3 and Tier 4 populations because they address similar reporting objectives or challenges, are typically applied by entities with less complex reporting requirements, utilise similar reporting approaches, or have been developed for populations with some comparable characteristics.

High-level assessment

72. Staff undertook a high-level assessment of the identified framework options using the ASF framework-level criteria. The objective was not to undertake a detailed technical comparison of each framework, but rather to determine whether any alternative appeared sufficiently compelling to represent a viable replacement framework for the Tier 3 and Tier 4 populations.
73. Consistent with the assessment approach described in the PBE Overview Paper, the assessment applied the common framework-level criteria, excluding international alignment.

This was on the basis, there is limited evidence to suggest that international alignment is a key driver of reporting outcomes for the Tier 3 and Tier 4 populations. Accordingly, international alignment was not assessed as a separate criterion in evaluating the framework options.

74. The results of the assessment are presented below using a red, amber and green (RAG) framework. For context, the current locally developed framework has also been assessed against the same criteria.
75. The assessment is intended to provide a high-level indication of the relative strengths, limitations and trade-offs of each framework option when considered in the context of the relevant Tier 3 and Tier 4 populations.

Public sector – Tier 3 – high level assessment of IFRS for SMEs and current framework

Assessment across key criteria

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	●	●	●	●	●

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

76. IFRS for SMEs was identified for assessment because it is an internationally recognised simplified accrual-based reporting framework designed for for-profit entities with less complex reporting requirements than those applying full IFRS. It is one of the few established alternatives to a simplified accrual-based framework.
77. While the framework offers simplification benefits compared with full IFRS, those benefits appear limited in the context of the Tier 3 public sector population. The framework was not designed for public sector entities and would require modification to appropriately address public sector transactions and reporting requirements. Further, a significant limitation of an IFRS-based framework is potentially the limited ability for the XRB to adapt or simplify requirements for New Zealand public sector entities¹⁵.
78. The assessment accordingly identifies significant concerns regarding technical fitness and the limited additional simplification benefits available relative to the current framework. It also indicates that adoption of IFRS for SMEs would likely have significant ecosystem impacts and transition costs given its relative complexity, limited familiarity within the New Zealand public sector environment, and reduced coherence with existing frameworks used in other Tiers.
79. Overall, these factors suggest that IFRS for SMEs offers limited advantages to the Tier 3 public sector population and does not appear to represent a viable replacement framework for this population.

¹⁵ Ability to make changes would be subject to licensing arrangements with IFRS.

Not-for-profit sector – Tier 3 – high level assessment of Australian Tier 3 Framework and current framework

Assessment across key criteria

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	●	●	●	●	●

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

80. Two alternative frameworks were identified for preliminary assessment in respect of Tier 3 not-for-profit entities:
 - (a) the Australian Tier 3 Framework for Private Not-for-Profit Entities; and
 - (b) the International Non-Profit Accounting Standards (INPAS) initiative.
81. The Australian Tier 3 Framework was identified because it was developed specifically for smaller not-for-profit entities and seeks to address many of the same reporting challenges and objectives as the New Zealand Tier 3 framework. Of the alternative frameworks identified, it is one of the closest comparators to the current New Zealand framework and reflects a broadly similar objective of providing simplified reporting requirements for smaller not-for-profit entities.
82. However, the framework remains relatively new and largely untested by Australian NFPs in practice. Although it shares a similar objective to the New Zealand Tier 3 framework, it was developed using a different starting point, drawing on IFRS for SMEs and existing accounting standards requirements. Consequently, adoption of the Australian approach would not necessarily represent a simplification of the current New Zealand framework, and modifications required for the New Zealand environment could ultimately result in a framework that is not materially different from the current Tier 3 requirements.
83. Overall, the high-level assessment did not identify sufficient additional benefits or distinguishing features to suggest the Australian approach represents a viable replacement framework for Tier 3 NFP entities.
84. Staff also considered the emerging International Non-Profit Accounting Standards (INPAS) initiative, given its specific focus on not-for-profit financial reporting. However, the framework is based on IFRS for SMEs and adapts that framework to address not-for-profit specific reporting matters.
85. As a result, many of the observations identified in respect of IFRS for SMEs remain relevant. While INPAS may provide a stronger not-for-profit focus, the simplification benefits appear limited in the context of the current Tier 3 framework, which has already been specifically developed and refined for smaller New Zealand not-for-profit entities. Adoption would also have implications for ecosystem capability, framework coherence, transition costs and implementation support.
86. INPAS also remains relatively new and has limited implementation history. The framework is not yet widely adopted internationally and there remains uncertainty regarding practical implementation, ecosystem impacts and long-term maintenance.

87. While INPAS may be relevant to monitor as it continues to develop internationally, the assessment did not identify sufficient evidence to suggest it currently represents a viable replacement framework for Tier 3 not-for-profit entities.

Public sector – Tier 4 – high level assessment of IPSAS cash basis reporting and current framework

Assessment across key criteria

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	●	●	●	●	●

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

88. The IPSAS cash basis provides an internationally recognised cash-based reporting framework and represents one of the few readily identifiable alternatives to the current Tier 4 framework. The framework shares several characteristics with the current Tier 4 framework, including a cash-based reporting approach and a focus on simplifying reporting requirements relative to accrual-based frameworks.
89. The high-level assessment indicates that the IPSAS cash basis performs moderately against the review criteria. It is a credible and technically robust framework developed specifically for public sector reporting and aligns broadly with the cash-based reporting approach adopted within Tier 4. However, it was developed for a broader public sector environment than the Tier 4 population and was not designed specifically with New Zealand legislative, policy and accountability settings in mind.
90. The assessment also identified concerns relating to the wider reporting ecosystem. Adoption of IPSAS cash basis would require investment in new guidance, training, software support and implementation resources across preparers, auditors, regulators and other intermediaries. The introduction of an additional reporting framework may also reduce coherence across the reporting tiers and wider reporting environment, increasing complexity for those operating across multiple sectors and tiers. Transition costs would also arise from moving to a different framework, even where both frameworks are cash-based.
91. On balance, while the IPSAS cash basis represents a credible alternative cash-based reporting framework, the assessment did not identify sufficiently clear advantages to suggest it represents a viable replacement framework for the Tier 4 public sector population. It is likely the IPSAS cash basis would provide a different pathway to get to a similar position as the current Tier 4 framework.

Not-for-profit sector – Tier 4 – high level assessment of IPSAS cash basis reporting and current framework

Assessment across key criteria

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	●	●	●	●	●

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

92. The high-level assessment indicates that the IPSAS cash basis performs moderately against the review criteria. However, the framework was developed primarily for public sector entities and was not designed to address the particular reporting objectives, accountability relationships, and operating environment commonly observed across the Tier 4 not-for-profit sector.
93. Similar to the public sector assessment, concerns were also identified regarding impacts on the wider reporting ecosystem and transition costs associated with introducing a framework that is not currently used within New Zealand and was not specifically designed for the Tier 4 population.
94. While aspects of the IPSAS cash basis could potentially be adapted for the New Zealand not-for-profit environment, doing so would likely involve local modification of the framework and may ultimately result in a reporting framework that is not materially different from the current Tier 4 requirements. As such, the assessment did not identify significant additional benefits, nor indicate that adoption would materially address the challenges identified through this review.
95. Overall, while the IPSAS cash basis represents a credible alternative cash-based reporting framework, the assessment did not identify sufficiently clear advantages to suggest it represents a viable replacement framework for the Tier 4 not-for-profit population.

Overall observations from the assessment

96. The assessment reinforced the observation that relatively few alternative frameworks are directly comparable to the current Tier 3 and Tier 4 framework. While a range of international reporting frameworks exist, the alternatives assessed did not identify a materially better starting point for the Tier 3 and Tier 4 populations.
97. This is particularly relevant given the current Tier 3 and Tier 4 framework has evolved through more than a decade of implementation experience, stakeholder feedback, post-implementation review and recent redevelopment activity, and reflects how the reporting requirements have been simplified and shaped to cater to Tier 3 and Tier 4 populations and their ecosystems. Using an international starting point may ultimately limit the ability for the XRB to make timely changes based on local implementation experience and feedback, which may be an important consideration given the large volume of entities reporting under Tier 3 and Tier 4 in New Zealand.
98. Given the volumes of entities existing within these tiers, the reliance on intermediaries, templates and accounting software, and the influence of auditors and regulators in awareness raising and reporting behaviours, becomes more pronounced and important to establishing a consistent, comparable and workable reporting practice. Changes to Tier 3 and Tier 4 frameworks could affect a large number of entities and, without clear benefits, introduce additional uncertainty and implementation costs for entities with limited resources.

99. Moving to an alternative framework would therefore involve moving away from a framework that has already been significantly refined for the New Zealand reporting environment in light of all these different aspects. Furthermore, many of the respective challenges for the Tier 3 and Tier 4 populations, relate to compliance, costs of compliance, and understanding of the applicable requirements. The high-level assessment did not indicate that these challenges would be better addressed through the alternative framework options considered.
100. Accordingly, staff have not identified an alternative framework that appears to represent a viable replacement framework for the Tier 3 and Tier 4 populations. Alternative frameworks should therefore be acknowledged within the Discussion Paper as part of the review undertaken, but staff do not recommend presenting them as viable framework options for consultation.
101. Staff's preliminary view is that future improvements for the Tier 3 and Tier 4 framework are more likely to arise through continued refinement of the existing framework rather than replacement with an alternative framework.

Impact for Discussion Paper

102. Although staff did not identify a viable replacement framework, this does not necessarily mean that the current framework should remain unchanged.
103. An important consideration for the review is therefore whether the current Tier 3 and Tier 4 Standards continue to achieve the policy objectives that originally underpinned their development. The original reforms contemplated simple and proportionate reporting requirements for a large population of smaller entities and were intended to provide a practical and accessible reporting solution for entities entering the GAAP framework.
104. Consultation provides an opportunity to test whether the current framework continues to achieve those objectives and whether changes in the operating environment, reporting populations or reporting practices have altered the balance between reporting benefits, compliance costs and reporting burden.
105. Consultation may also assist in understanding whether the current framework continues to appropriately meet the needs of both public sector and not-for-profit entities, and whether there are differences between those sectors that may justify different future directions.
106. Accordingly, staff consider consultation should focus on the following areas:
 - (a) whether stakeholders agree that the current locally developed framework remains the most appropriate approach for Tier 3 and Tier 4 reporting;
 - (b) whether the current Tier 3 and Tier 4 framework continues to achieve the policy objectives that originally underpinned its development, including whether the current reporting requirements (and assurance requirements) appropriately balance user needs, accountability, reporting burden and the costs of preparation for public sector entities, not-for-profit entities, and both sectors collectively;
 - (c) whether stakeholders agree that none of the alternative framework options identified warrant further detailed investigation as replacement frameworks; and
 - (d) whether there are other approaches or framework options that should be considered as part of the ASF review.

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 3 and Tier 4 public benefit 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 3 and Tier 4 public benefit entities?

Q3. Does the Board **AGREE** that the alternative frameworks considered should be acknowledged in the Discussion Paper but not presented as viable replacement framework options for consultation?

Q4. Does the Board **IDENTIFY** any areas where further analysis or evidence is required to support the ASF discussion paper?

Extract of public discussion paper

107. We propose including the following **blue** extract in the Discussion Paper. The extract summarises the alternative frameworks considered and explains why staff do not propose presenting them as viable replacement options for consultation. It instead seeks stakeholder feedback on whether the current locally developed framework remains the appropriate foundation and continues to achieve its original policy objectives.

Draft Discussion Paper text for Tier 3 and Tier 4 PBEs

Tier 3 and Tier 4 PBE reporting frameworks

As part of the Accounting Standards Framework review, we are reviewing whether the current Tier 3 and Tier 4 reporting framework remains fit for purpose for smaller public benefit entities (**PBEs**).

The current Tier 3 and Tier 4 reporting framework was originally developed between 2011 and 2015 following wider financial reporting reform that brought significant numbers of public benefit entities into the GAAP reporting framework for the first time. This was on the basis that many public benefit entities have accountability obligations arising from public ownership, receive income-tax exemptions, and use public resources, donations, grants, taxes, rates or other forms of public funding.

Given the large number of smaller entities within the population, significant emphasis was placed on ensuring reporting requirements remained proportionate by balancing accountability obligations and the benefits of reporting against the costs of preparation.

To support those policy objectives, the XRB developed separate reporting standards for smaller PBEs. Tier 3 was designed to provide simplified accrual-based reporting requirements considered as GAAP, while Tier 4 was developed as a simple cash-based reporting framework intended to reduce reporting and compliance burden for the smallest entities (considered as a non-GAAP standard as this was cash-based requirements).

Since their initial implementation in 2015/2016, the Tier 3 and Tier 4 Standards have been reviewed through a post-implementation review process in 2020 involving extensive stakeholder feedback, and subsequently simplified and refined (Tier 3) and significantly simplified and redeveloped (Tier 4). Non-essential requirements were removed or made optional, judgement requirements were reduced where possible, and the Standard was redesigned to be more accessible for preparers with limited accounting expertise

The revised Tier 3 and Tier 4 Standards became mandatory from 1 April 2024. For many entities, the first reporting period prepared under the revised requirements was the year ending 31 March 2025. Consequently, the revised Tier 3 and Tier 4 Standards have only recently become operational, and at the time of this review, many entities have completed only one or two reporting cycles under the revised requirements.

As such, the current Tier 3 and Tier 4 Standards are not the same standards that were originally introduced as part of the Accounting Standards Framework reforms (like other elements of the ASF). Rather, they represent the culmination of more than a decade of implementation experience, a comprehensive post-implementation review, extensive stakeholder consultation, and targeted standard-setting improvements. As part of reviewing whether the approach of locally developing these reporting requirements and the current standards remains fit for purpose, we have considered whether alternative reporting frameworks may provide a more appropriate basis for achieving the objectives that originally underpinned Tier 3 and Tier 4 reporting.

Review of alternative framework options

A range of reporting frameworks exist internationally around general purpose financial reporting designed for large entities, and small and medium sized entities. However, relatively few appeared directly comparable to the current Tier 3 and Tier 4 framework, or relevant given the particular characteristics of the Tier 3 and Tier 4 New Zealand population and its wider reporting ecosystem.

Alternative frameworks identified for preliminary assessment included:

Tier	Public sector	Not-for-profit
Tier 3	IFRS for Small and Medium Sized Entities (IFRS for SMEs)	- Australian Tier 3 Framework for Private Not-for-Profit Entities - International Not-for-Profit Accounting Standards (INPAS)
Tier 4	IPSAS Financial Reporting Under the Cash Basis of Accounting (IPSAS cash basis)	IPSAS Financial Reporting Under the Cash Basis of Accounting (IPSAS cash basis)

These frameworks were identified because they address similar reporting objectives or challenges, seek simplification and balance between benefits and costs of reporting, utilise similar reporting approaches, or have been developed for populations with broadly comparable characteristics.

A high-level assessment of these frameworks was undertaken by the XRB. While individual alternatives exhibited strengths in particular areas, the assessment did not identify any framework that appeared to provide a materially better starting point for the Tier 3 and Tier 4 populations than the current framework. The assessment also recognised that the revised Tier 3 and Tier 4 Standards only recently became mandatory and that some challenges observed in practice may relate to ongoing implementation and adoption rather than the underlying framework itself.

This is for several reasons:

- the current framework has been refined through more than a decade of implementation experience, stakeholder feedback and post-implementation review;
- the reporting requirements were specifically developed for the New Zealand Tier 3 and Tier 4 populations and their operating environments, rather than modifications of a framework based on international reporting;
- the current approach provides the XRB with the ability to continue to simplify, refine and update the standards where appropriate; and
- the significant implications that framework change could have across the broader reporting ecosystem given the large population of entities, preparers, users, and auditors.

Adopting an alternative framework would not simply involve replacing one framework with another. It would likely require a process of modification and refinement to reflect the characteristics of the Tier 3 and Tier 4 populations and the New Zealand reporting environment, potentially resulting in an outcome similar to that already achieved by the current framework. In many cases, the international frameworks would likely require significant adjustments to make them proportionate and suitable for Tier 3 and Tier 4 entities, and ultimately in substance, provide a different pathway to get to the same result as the current Tier 3 and Tier 4 frameworks and not address any of the challenges experienced in the sector.

Our preliminary assessment is therefore that the current approach to locally developing these Standards remains the most appropriate approach for Tier 3 and Tier 4 reporting. It provides a strong foundation for future refinement and improvement, and the alternative frameworks considered do not appear to warrant further investigation as replacement frameworks at this time.

A broader question for the review

The conclusion that alternative frameworks do not appear suitable as replacement frameworks does not necessarily mean that the current framework should remain unchanged.

The original Tier 3 and Tier 4 reforms were intended to provide simple, practical and proportionate reporting requirements for smaller PBEs by balancing accountability and user needs with the costs of preparation and compliance. Since that time, the operating environment has continued to evolve. For some entities, the overall cost of reporting is influenced not only by the reporting requirements themselves, but also by assurance requirements, implementation practices and broader regulatory expectations.

For example: For many Tier 3 and Tier 4 entities, costs are influenced not only by the preparation of financial statements, but also by associated assurance requirements. Charities with operating expenditure exceeding \$550,000 in each of the previous two financial years are generally required to obtain a review engagement, while charities with operating expenditure exceeding \$1.1 million in each of the previous two financial years are generally required to obtain an audit.

This review therefore provides an opportunity to assess whether the current framework continues to achieve the objectives that originally underpinned its development, and whether changes in operating environments, reporting populations, other associated requirements from legislation, stakeholder expectations or reporting practices have altered the balance between accountability, user needs, reporting burden and the costs of preparation.

We are also interested in understanding whether public sector and not-for-profit entities continue to be appropriately served by a common Tier 3 and Tier 4 framework, or whether differences between those sectors may be relevant to the future direction of the framework.

Questions for stakeholders

- Do the current Tier 3 and Tier 4 requirements continue to achieve the policy objectives that originally underpinned their development (including balancing user needs and reporting costs, accountability, reporting burdens, assurance requirements and compliance burdens)?
- Do you agree that the current locally developed Tier 3 and Tier 4 framework remains the most appropriate framework for these populations? Why or why not?
- Do you agree that the alternative framework options considered do not warrant further detailed investigation as replacement frameworks for Tier 3 and Tier 4? Why or why not?
- Are there any other reporting frameworks or approaches that should be considered as part of the ASF review?

Questions for the Board

Q5. 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?

Factsheets and summary information on alternative framework options

International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs)

Fact Sheet

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

Overview of the IFRS for SMEs framework

What IFRS for SMEs is

The International Financial Reporting Standards for Small and Medium-Sized Entities (**IFRS for SMEs**) is a simplified international financial reporting framework developed by the International Accounting Standards Board (**IASB**) for entities without public accountability.

It is based on the principles of full IFRS Accounting Standards but is designed to reduce complexity, disclosure requirements, and implementation burden for smaller and less complex entities.

The framework simplifies a number of accounting requirements, removes some topics considered less relevant to smaller entities, and includes fewer disclosure requirements than full IFRS Accounting Standards.

Who IFRS for SMEs is mainly designed for

IFRS for SMEs is designed for entities that do not have public accountability and prepare general purpose financial statements for external users such as lenders, owners, creditors, or other stakeholders. The framework is generally intended for privately-owned and less complex entities rather than those that are listed or publicly accountable and do not enter into complex transactions frequently. Public accountability is defined in New Zealand in [*XRBA 1 Application of the Accounting Standards Framework*](#).

IFRS for SMEs as an international benchmark

IFRS for SMEs is used or permitted in many jurisdictions internationally as a simplified reporting framework for eligible private entities. It is designed to provide an internationally recognised financial reporting framework while reducing the complexity and disclosure burden associated with full IFRS Accounting Standards. Although adoption varies across jurisdictions, IFRS for SMEs is often considered when jurisdictions assess simplified reporting frameworks for non-publicly accountable entities.

Key characteristics of the IFRS for SMEs reporting framework

Key characteristics of the IFRS for SMEs reporting framework include:

- Simplified accounting requirements compared to full IFRS Accounting Standards with reduced disclosure requirements.
- Based on historical cost accounting, with limited use of fair value and fewer accounting policy options
- Intended to be easier and less costly to apply and maintain over time with less frequent changes

IFRS for SMEs[®]
Accounting Standard

At a glance

IFRS for SMEs provides a simplified financial reporting framework for entities without public accountability—but at the cost of reduced flexibility, limited accounting options, and suitability for more complex or evolving transactions.

How IFRS for SMEs works in practice

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

IFRS for SMEs is developed and maintained by the IASB, who follows a formal due process involving stakeholder engagement, public consultation and exposure drafts when developing or amending the standard. Updates to IFRS for SMEs are generally made less frequently than updates to full IFRS Accounting Standards, which helps provide greater stability for preparers.

High-level comparison of IFRS for SMEs and full IFRS reporting frameworks

Area	IFRS for SMEs	Full IFRS Accounting Standards
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	Used or permitted in many jurisdictions for eligible private entities	Widely adopted internationally across other jurisdictional capital markets
Global comparability	Designed for entities without public accountability, generally private and less complex entities	Designed to support international comparability

Illustrative approaches for measurement:

Asset/liability	IFRS for SMEs	IFRS Accounting Standards
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 certain situations.
Inventories	Measured at the lower of cost and selling price less costs to complete and sell.	Measured at the lower of cost and net realisable value. 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 (default 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 profit or loss.	Measured using amortised cost, fair value through OCI or profit/loss depending on classification. Certain assets are subject to expected credit loss requirements.
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.	For most leases, entities recognise a right-of-use asset and lease liability. No finance and operating lease distinction and single accounting model required for all leases.

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*).



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.

- **INPAS Implementation Guidance** – (approx. 180 pages) Additional non-mandatory material published by the INPRF to support consistent application and understanding of the INPAS standard.

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> –	Various IPSASB-based standards – There is no specific standard for transfer expenses. ¹

¹ The proposed PBE IPSAS 48 *Transfer Expenses* – differentiates between expenses from transactions without and with binding arrangements.

Financial Statement Line Item	INPAS	PBE Standards based on IPSAS
	differentiates expenses from transactions without and with fulfilment rights.	
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.
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. PBE FRS 48 <i>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.

Financial Statement Line Item	INPAS	PBE Standards based on IPSAS
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.

Australia: AASB 1061 Tier 3 (Private-Sector NFPs) - For more information, refer to the [AASB website](#) and the summary [factsheet](#).

Purpose

- Simplified general purpose reporting framework for eligible private-sector NFPs.

Scope

- NFP entities without public accountability.
- Eligibility determined by legislation or regulators.

Basis of accounting

- Accrual accounting.

Minimum reporting package

- Financial position.
- Financial performance.
- Changes in equity.
- Cash flows.
- Notes and comparatives.

Notable features

- Simplified requirements for revenue, leases, financial instruments, impairment and employee benefits.
- No deferred tax accounting.
- Internally generated intangibles generally expensed.
- Reduced consolidation requirements in some circumstances.

Effective date

- Annual periods beginning on or after 1 July 2029.

IPSAS Financial Reporting Under the Cash Basis of Accounting (Public Sector)

Purpose

- Simplified cash-based reporting framework, primarily intended as a stepping stone to accrual reporting.

Scope

- Public sector entities, particularly jurisdictions with limited reporting capability or transitioning to accrual accounting.

Basis of accounting

- Cash accounting.

Minimum reporting package

- Statement of Cash Receipts and Payments.
- Notes and accounting policies.
- Comparative information.
- Budget comparison information (where applicable).

Notable features

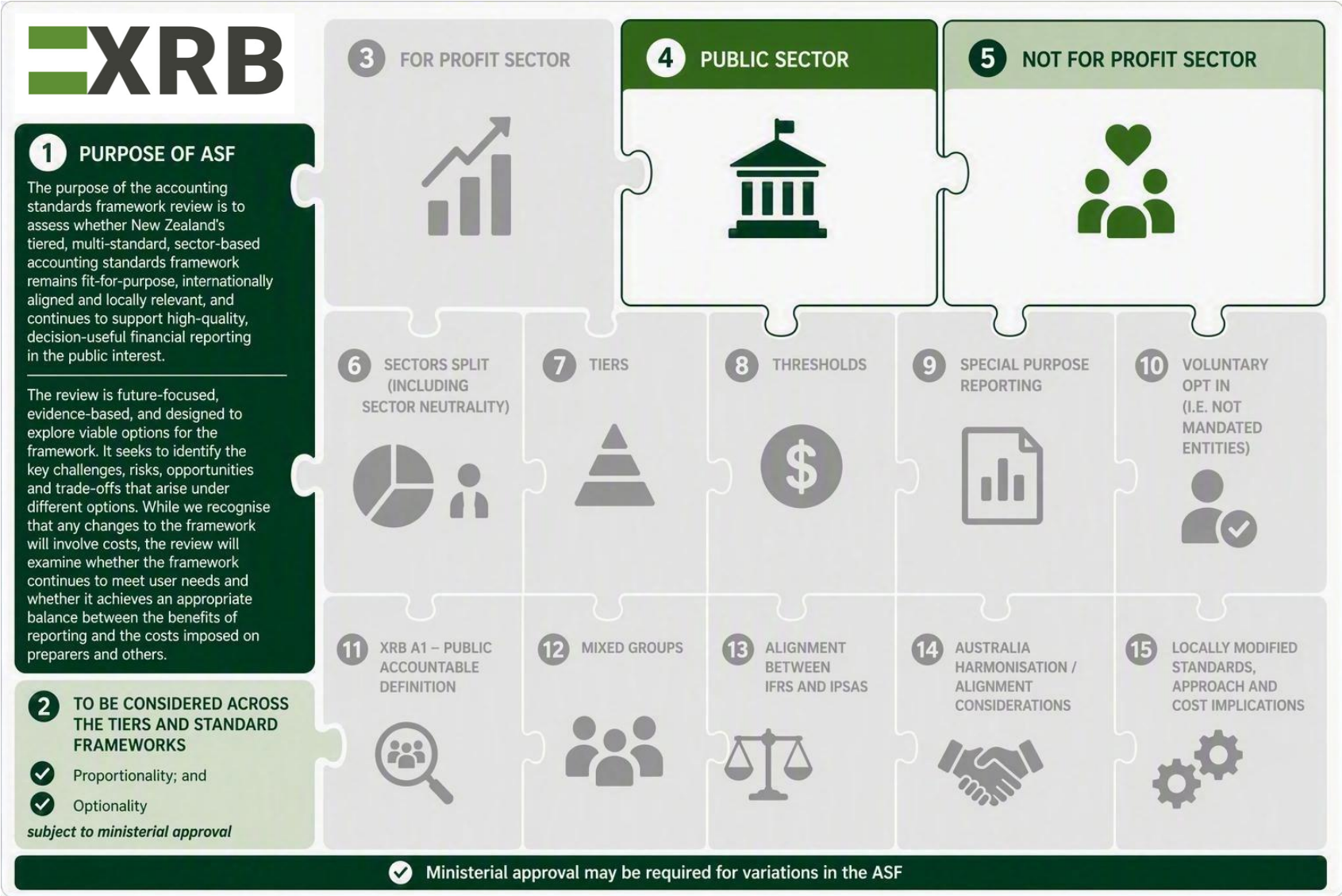
- Recognition based on cash received and paid.
- Most assets and liabilities are not recognised.
- Additional disclosures encouraged to support accountability and transition to accrual reporting.
- Consolidation encouraged but not required.

PBE sector – Tier 3 and Tier 4



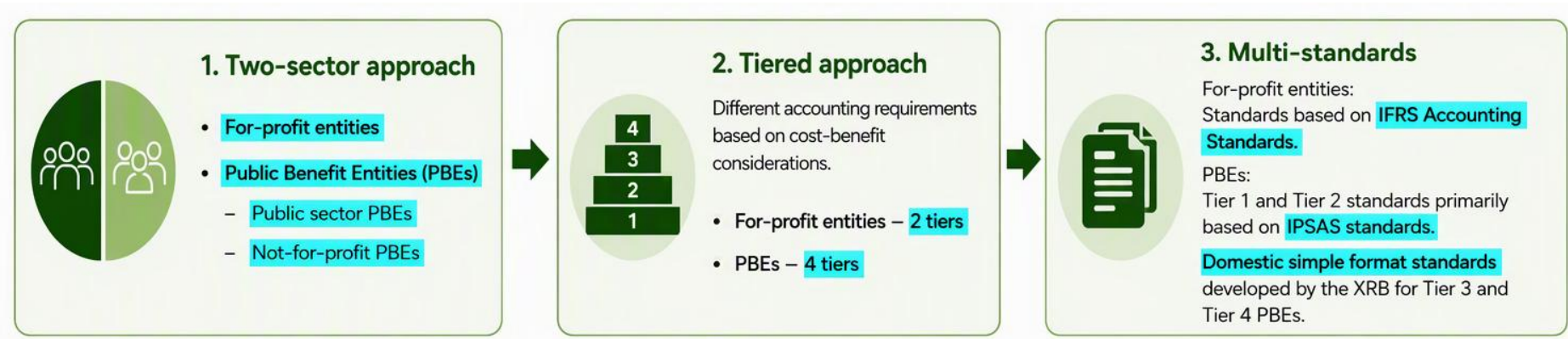
ASF Review – Where the PS and NFP Tiers 3 and 4 review fits in

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.

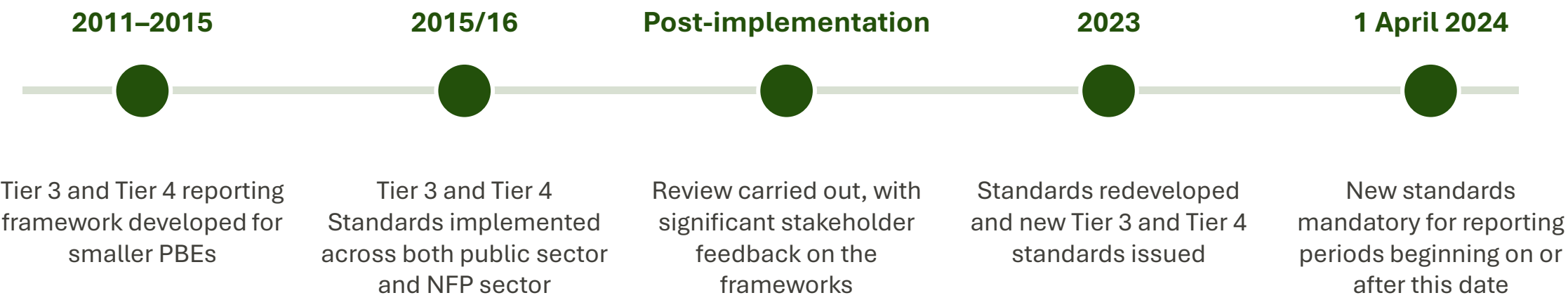
For-profit entities		Framework	PBE public sector and not-for-profit entities		Framework
Tier 1	Public accountability (as defined in XRB A1); or	NZ IFRS	Tier 1	Public accountability; or	PBE Standards
	Large public sector for-profit entity with Total expenses > \$33 million			Large PBE with Total expenses > \$33 million	
Tier 2	No public accountability	NZ IFRS RDR	Tier 2	No public accountability	PBE Standards RDR
	For-profit public sector entity with Total expenses ≤ \$33 million			Total expenses ≤ \$33 million	
Tier 3			Tier 3	No public accountability	Tier 3 Standard
				Total expenses ≤ \$5 million	
Tier 4			Tier 4	No public accountability	Tier 4 Standard
				Permitted by law to use non-GAAP cash accounting	

*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**

