

Memorandum

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

Meeting date: 12 October 2026

Subject: **Accounting Standards Framework review: Supplementary memo on the treatment of voluntary Tier 2 for-profit reporters**

Date: 1 October 2026

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☒ **Action Required**

☐ **For Information Purposes Only**

Purpose

1. This paper responds to the Board's feedback at its August 2026 meeting on how entities that voluntarily apply Tier 2 for-profit reporting requirements should be treated in the Accounting Standards Framework (**ASF**) review. It asks the Board to provide **FEEDBACK** on the proposed revised wording for the public discussion paper.

Recommendations

2. We recommend the Board:
 - (a) **NOTE** that feedback from voluntary Tier 2 reporters will be welcomed and considered as evidence in the ASF review; and
 - (b) **PROVIDE FEEDBACK** on the proposed discussion paper wording outlined in [blue text](#) within this paper.

Board feedback from August 2026

3. The **Entities that voluntarily apply Tier 2 reporting requirements paper** presented at the August 2026 NZASB meeting explained that the Tier 2 fit-for-purpose framework assessment focuses on mandated Tier 2 for-profit entities.
4. Voluntary Tier 2 for-profit reporters were acknowledged as part of the wider reporting population but were not included in the core assessment because their use of NZ IFRS RDR reflects a choice to apply that framework rather than a legislative requirement, and they have other reporting options available, such as special purpose financial reporting.
5. The Board's discussion indicated support for mandated Tier 2 entities remaining the primary population for the framework assessment. However, there were concerns that the proposed messaging could create the perception that feedback from voluntary Tier 2 reporters would be discounted.
6. The Board noted that voluntary use of the Tier 2 for-profit framework can support better governance, accountability and reporting quality, and that voluntary reporters may provide useful evidence about how the framework operates in practice.

7. The Board also asked staff to seek evidence about why entities that are not required to prepare GAAP-compliant financial statements nevertheless choose to apply Tier 2 for-profit reporting requirements. The ASF website surveys already provide a route for gathering this information. The discussion paper should make the purpose of that evidence gathering clear and invite voluntary Tier 2 reporters to respond.

Proposed treatment of voluntary Tier 2 feedback

8. We propose distinguishing between the population used to assess the design of Tier 2 and the wider population from which evidence is sought. Mandated Tier 2 entities and their users remain the main focus because those entities must prepare GAAP financial statements, and the ASF sets the Tier 2 requirements designed for them. Voluntary reporters remain part of the evidence population because their experience may identify benefits, costs and implementation issues relevant to the review.
9. We will consider how consultation responses can identify whether the respondent is a mandated or voluntary reporter. Staff can then analyse the feedback in its reporting context and identify issues that occur across both populations. Separating responses by reporting context allows the Board to interpret the evidence without treating different circumstances as equivalent, including in relation to the users of those entities. It does not mean feedback from voluntary reporters will be discounted solely because it comes from voluntary reporters.
10. An issue raised by voluntary Tier 2 reporters, may support a conclusion about the Tier 2 framework where the evidence shows that it also affects the mandated reporters or their users too. Where an issue is raised mainly by voluntary reporters, staff would consider whether it points to a broader issue for mandated reporters, or to a different need that may be addressed through XRB communications, education or future work.

Consultation approach

11. To manage the number of consultation questions, we propose including one targeted prompt for voluntary Tier 2 reporters alongside the existing Tier 2 questions, rather than adding a separate headline question. The website survey should also ask whether the entity is required to report under GAAP, which framework it applies, and why it selected that framework. This will allow responses about voluntary financial reporting generally to be distinguished from voluntary application of NZ IFRS RDR.
12. The consultation questions should cover the factors that influenced the decision to apply Tier 2, the benefits realised, the costs or practical challenges experienced, and the alternatives considered. Possible reasons may include governance or accountability, lender or contractual requirements, shareholder or investor needs, group reporting, comparability, assurance, anticipated growth, or preparation for future reporting obligations.

Proposed discussion paper wording

13. We propose replacing the wording presented in the August 2026 Board meeting paper with the following [blue text](#). The revised wording keeps the assessment focused on mandated Tier 2 entities, while expressly welcoming evidence from voluntary reporters and explaining how it will be used. The proposed text may be refined during final drafting of the discussion paper to ensure overall coherence and flow.
14. Appendix A reproduces the relevant extract from the August 2026 Board paper and compares it with the revised approach proposed in this supplementary memo.

Who this Tier 2 for-profit framework assessment focuses on

The primary focus of this assessment is on mandated Tier 2 for-profit entities and their stakeholders. This is because Tier 2 for-profit entities are required by legislation to prepare generally accepted accounting practice (GAAP) compliant financial statements. Accordingly, their experiences and information needs, together with their stakeholders, are particularly relevant when evaluating whether Tier 2 remains fit for purpose and meets user needs.

An entity may report under Tier 2 when legislation requires it to prepare generally accepted accounting practice (GAAP) compliant financial statements, and it meets the Tier 2 for-profit criteria.

We are aware many non-mandated entities may choose to apply XRB reporting standards (primarily International Financial Reporting Standards with Reduced Disclosure Requirements (NZ IFRS RDR)) to support governance, satisfy lender or shareholder requirements, meet group reporting obligations, or address other user information needs.

The XRB welcomes feedback from these voluntary Tier 2 reporters, along with their stakeholders, as their experiences will contribute to our understanding of how the framework is used in practice. We are particularly interested in understanding the benefits they obtain from the framework, along with any implementation costs, practical challenges, or areas where improvements could be made. These insights may also help inform future ASF decisions.

The reporting circumstances of respondents will be taken into account as part of the evaluation of feedback.

Question for voluntary Tier 2 reporters

- ***What factors influenced your entity's decision to apply XRB reporting standards (including NZ IFRS RDR), and what benefits and challenges have you experienced through this choice?***

Question for the Board

- Q1.** Does the Board have any **FEEDBACK** on whether this paper provides sufficient context and explanation to support the treatment of voluntary Tier 2 reporters in the public ASF Discussion Paper, in light of the Board's comments in its August meeting?
- Q2.** Does the Board have any **FEEDBACK** on the proposed wording and questions which can be included into the public discussion paper around why voluntary Tier 2 reporters have only been considered contextually and not within the framework options analysis?

Appendix A

Extract from the August 2026 Board paper

This appendix sets out the wording presented to the Board in August 2026 and compares it with the revised approach proposed in this supplementary memo. It is included so the Board can see the change in treatment without needing to refer back to the August paper.

Previous wording presented in the August 2026 paper

Extract from August 2026 paper
<i>” The ASF applies where legislation requires an entity to prepare financial statements in accordance with GAAP. Some for-profit entities are not legally required to prepare GAAP-compliant financial statements as they do not meet the statutory “large” thresholds for GAAP reporting within Section 45 of the Financial Reporting Act 2013.</i> <i>These Tier 2 reporters may have alternative financial reporting options available, including preparing special purpose financial statements driven by the specific needs and demands of their users. However, some of these entities may choose to apply Tier 2 for-profit reporting requirements voluntarily. Voluntary Tier 2 reporters are in a different position because their use of Tier 2 for-profit reporting requirements reflects an entity-specific reporting choice, rather than a primary legislative requirement to prepare GAAP-compliant financial statements. They may vary significantly in size, economic significance, reporting purpose and user needs. As a result, their reporting needs should not be the primary basis for determining the reporting requirements that apply to all Tier 2 entities. As such, these voluntary Tier 2 reporters have been considered as contextual information in the ASF review, but they have not been considered as part of the ASF review’s assessment of whether the framework remains fit-for-purpose, because that assessment focuses on entities that are mandated to report under the ASF. ”</i>

Comparison with revised approach proposed in this supplementary memo

Issue	August 2026 wording	Revised approach
Status of voluntary Tier 2 reporters	Considered as contextual information only.	Recognised as part of the evidence population whose feedback will be welcomed and considered.
Primary assessment population	Assessment focused on entities mandated to report under the ASF.	Emphasises that the primary policy focus of the review remains on mandated Tier 2 entities, while avoiding any impression that voluntary reporter feedback is less important or will be discounted.
Purpose of feedback from voluntary reporters	Not expressly explained beyond contextual consideration.	Feedback will help identify why entities choose NZ IFRS RDR, the benefits realised, costs or practical challenges experienced, and whether issues also affect mandated reporters or their users.
Message to voluntary reporters	Could be read as implying their feedback would not influence the review.	Makes clear that voluntary reporter feedback is not discounted but will be analysed having regard to the respondent’s reporting context.