



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Need-to-know series

Accounting update

*Review of the Accounting Standards Framework (ASF)
– Background, sectors and the for-profit framework*

9 September 2026

Presenters

Your presenters today, from the XRB Accounting Standards team.



Michelle Lombaard – CA (M.Com)

Director Accounting Standards



Leana van Heerden – CA (SA)

Senior Project Manager, Accounting Standards



Raveen Kaur - CA

Project Manager, Accounting Standards

Agenda



- The background of the current ASF
- An overview of the ASF review project
- Sectors
- For-profit entity reporting frameworks

Please note

This session shares our thinking as we frame up the discussion paper for public consultation in May 2027. It steps through our current analysis for sectors and for-profit entities.

No decisions have been made. There are many interdependencies across the project, and we will continue to update our analysis and considerations as we work through all the options available.

What you need for menti polls

Please have your phone or device ready to access [menti.com](https://www.menti.com) – either via the QR code provided or through your web browser by using the code (1611 1782) displayed.



menti.com
1611 1782

About the XRB

Our purpose

Promoting trust and confidence, transparency and accountability through high-quality external reporting and assurance.

Our strategy

Internationally aligned, locally relevant

Our approach

- Open, engaging and transparent
- Attuned to user needs, benefits and costs
- Agile and pragmatic
- Responsive to changing global and local context

What we deliver

- Financial reporting standards
- Audit and assurance standards
- Quality management and ethical standards for assurance practitioners
- Climate standards

What we do and don't do

- ⊗ Primary legislation: who standards apply to is set by Parliament
- ✓ Secondary legislation: the framework and standards are set by the XRB
- ⊗ Monitoring and enforcement: sit with regulators such as the Financial Markets Authority (FMA)

The New Zealand External Reporting Environment

Where does the ASF fit within the broader New Zealand external reporting environment?



General Purpose Financial Report (GPFR)

and climate reporting prepared in accordance with standards issued by the XRB



THE GOVERNMENT

Who reports?

Statutory Reporting Framework

- Financial statement preparation / Generally Accepted Accounting Practice (GAAP)
- Filing and publication requirements
- Audit and assurance requirements

Legislation

- Financial Reporting Act 2013
- Companies Act 1993
- Financial Markets Conduct Act 2013
- Public Finance Act 1989
- Charities Act 2005
- Other sector legislation



Future Legislative Reform

The XRB considers whether legislative changes require amendments to reporting and assurance frameworks.

THE XRB

WHAT TO REPORT



1 Accounting Standards Framework (ASF)

The XRB's strategic approach to setting accounting standards through the application of XRB A1.

- Multi-sector approach
- Tiered approach
- Uses IFRS Accounting Standards and IPSAS as the basis for NZ standards
- Develop local standards



2 Accounting Standards

Establishes the specific requirements for the preparation of GPFR, including standards for different sectors and tiers.



3 Climate Reporting Standards

Requirements for climate-related disclosures.

- New Zealand Climate Standards (NZ CS)
- Climate-related risks and opportunities
- Decision-useful climate information

HOW TO AUDIT OR REVIEW



4 Auditing and Assurance Standards Framework

The XRB's strategic approach to setting auditing and assurance standards.



5 Auditing and Assurance Standards

Requirements for:

- Financial statement audits
- Assurance engagements
- Climate-related assurance engagements



6 Quality Management and Ethical Standards for Assurance Practitioners

Support quality, integrity and professional ethics in assurance engagements.



OTHER REPORTING OBLIGATIONS

Other reporting

Established through legislation, regulations or by other means for other information reported in the annual report and/or other external reports.



Information disclosures



Annual reports



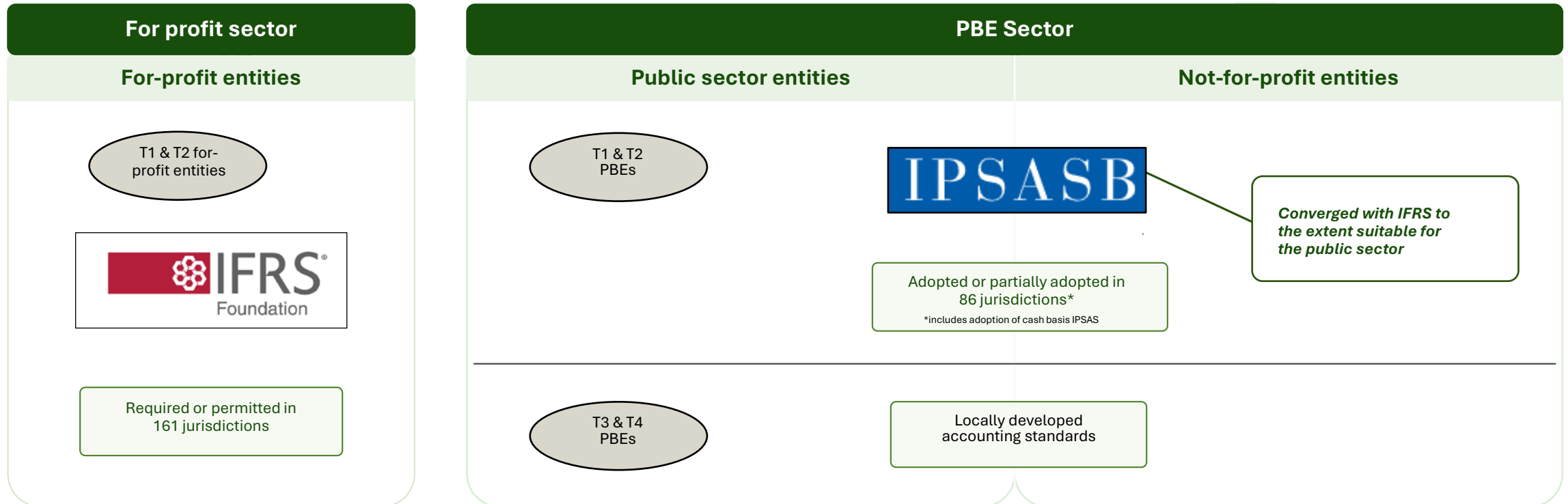
Integrated reporting etc.

Special Purpose Financial Statements

Entities who have no statutory requirements to prepare GPFR may still need to prepare financial statements for tax, governance, etc.

Please note: this diagram is a high-level overview of the NZ reporting environment and is not intended to be comprehensive.

Our current ASF: the standards for different entities



These frameworks provide the foundation for the development of New Zealand standards. Additional local standards are incorporated to address specific domestic reporting requirements.

Financial reporting requirements based on:



Public accountability



Economic significance



Separation between owners and governing body

Why are we doing a review of the ASF?



The Foundation

- ASF approved in 2012 to provide structured reporting
- Came into effect over Jul 2014 – Apr 2015
- 2019 high-level review confirmed it was operating as intended

A changing landscape

- Significant shifts in international and domestic contexts since 2012
- Accounting standards have matured and evolved significantly
- User needs and reporting expectations have shifted globally

Questions in 2026

- Is the framework fit-for-purpose and for the future?
- Is it meeting the evolving needs of users of financial reporting?
- Does it appropriately balance costs and benefits?
- Is it sufficiently locally relevant?

Purpose of the ASF review



Purpose of the ASF review

The purpose of the accounting standards framework review is to assess whether New Zealand's tiered, multi-standard, sector-based accounting standards framework remains fit-for-purpose, internationally aligned and locally relevant, and continues to support high-quality, decision-useful financial reporting in the public interest.

The review is future-focused, evidence-based, and designed to explore viable options for the framework. It seeks to identify the key challenges, risks, opportunities and trade-offs that arise under different options. While we recognise that any changes to the framework will involve costs, the review will examine whether the framework continues to meet user needs and whether it achieves an appropriate balance between the benefits of reporting and the costs imposed on preparers and others

Scope of the review



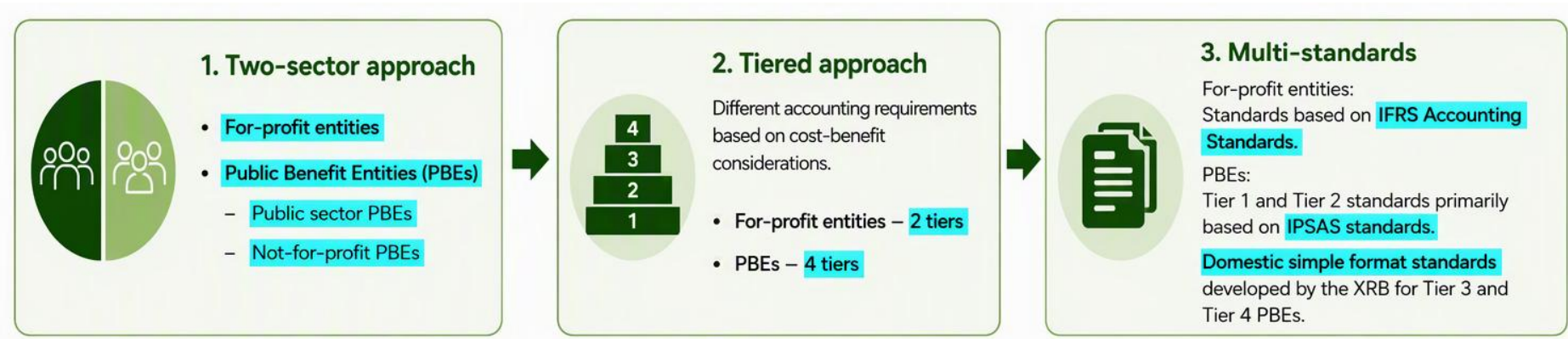
What is out of scope for this review

To keep the review focused on the structure and operation of the ASF itself, the following matters have been agreed as out of scope.

Out-of-scope matter	Implication for this review
Legislative reporting requirements	The review will not consider the legislative requirements that determine which entities must prepare financial statements in accordance with XRB standards.
Detailed standard-setting requirements	The review will not reconsider the detailed recognition, measurement, presentation and disclosure requirements within existing standards, including RDR concessions and the Conceptual Framework, or whether particular standards or disclosures are mandatory for certain sectors, tiers or entity types (such as service performance reporting for PBEs).
Assurance and professional standards	The review will not consider auditing, assurance, professional or ethical standards.
Climate Standards	The review will not consider the XRB’s Climate Standards.
Broader reporting architecture	The review will not consider the XRB’s broader architecture of reporting, other than the ASF.

Accounting Standards Framework (ASF)

XRB levers



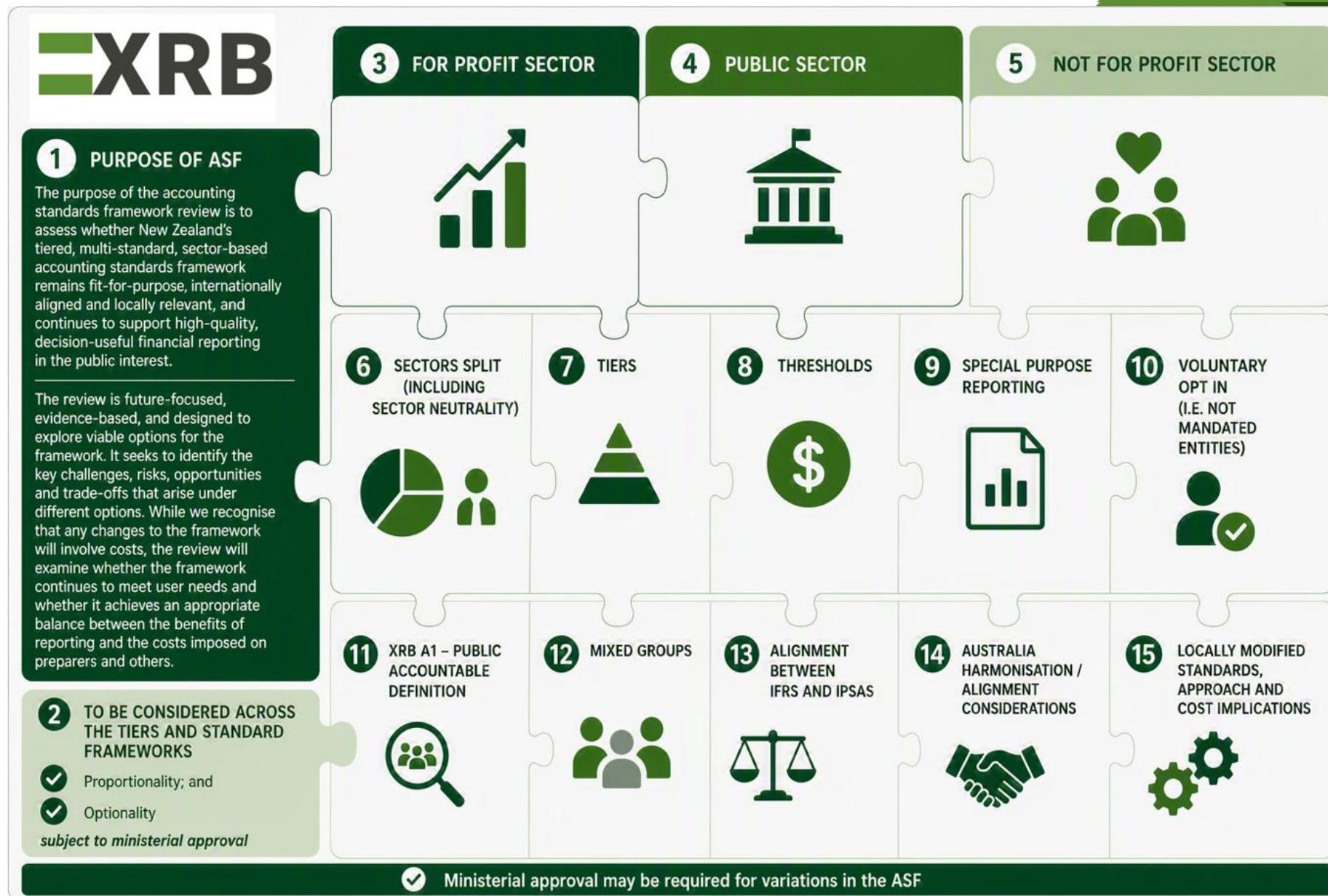
An entity identifies its sector and tier, then applies the applicable standards.

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

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

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

ASF review – elements we will consider and analyse



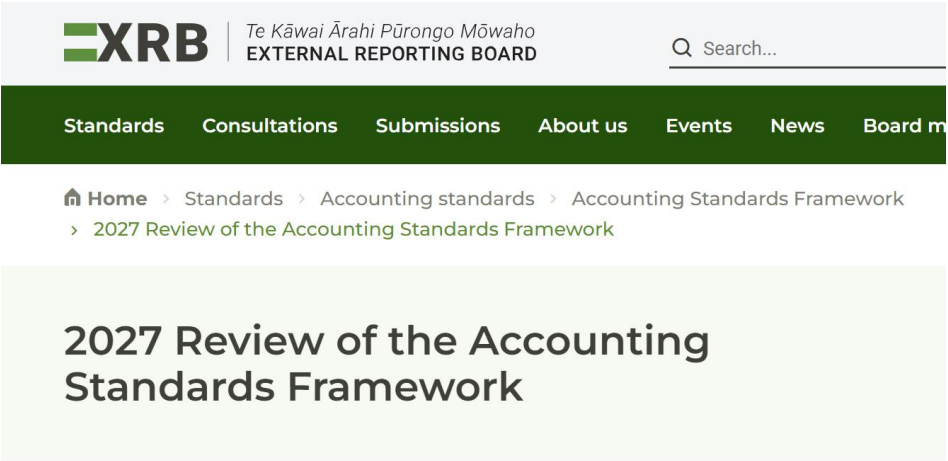
A centralised webpage to support the detailed analysis

We have created a centralised webpage where stakeholders can follow the project and access the support behind what was considered and discussed. As we work through the elements on the previous slide the website will be updated to carry active and linked content. Under each active key element stakeholders will find:

Summary video	Summary slides	Detailed analysis paper	Minutes
A short video that summarises the key points of the paper.	The summary slides used in the video.	The detailed analysis paper for the element, as shared with the NZASB.	The minutes of the NZASB discussion on the element.

Stakeholder survey – *Additionally*, for each key element we are also including a survey to gather stakeholders’ initial thoughts on the analysis being discussed, along with any other relevant queries. These responses will help shape and support our thinking as we develop the discussion paper.

Website link: <https://teams.public.onecdn.static.microsoft/evergreen-assets/safelinks/2/atp-safelinks.html>

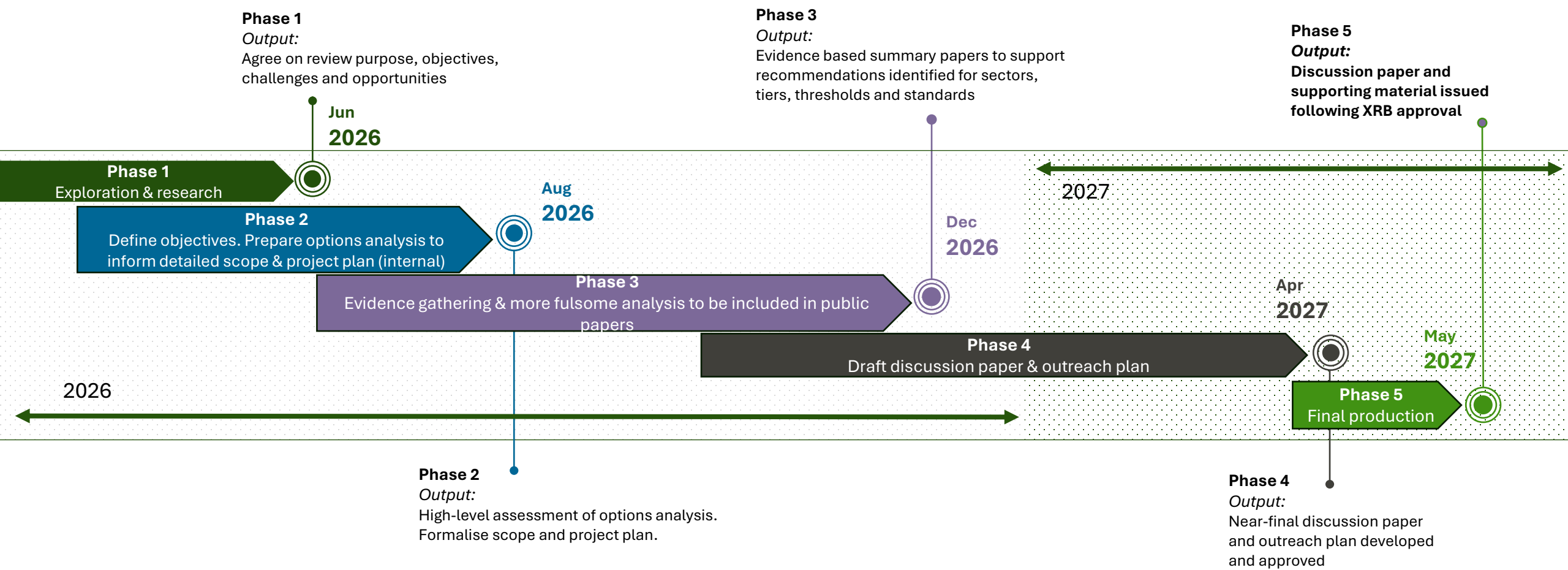


We are reviewing the Accounting Standards Framework to determine whether it remains fit for purpose



The XRB is currently in the process of reviewing the [Accounting Standards Framework \(ASF\)](#), which set out *what* and *how* entities must report. We need your input as we work through this process, from giving real-time feedback into our considerations along the way, through to your thoughts on the discussion paper, once it is released in May 2027.

Timeline and phases of the ASF review



Polling question – menti.com

Overall, do you think the review of the ASF should focus primarily on:

● Maintaining stability

● Making targeted improvements

● Undertaking significant reform

● Unsure



menti.com
1611 1782



Overall, do you think the review of the ASF should focus primarily on:



9 Maintaining stability



19 Making targeted improvements



3 Undertaking significant reform



5 Unsure

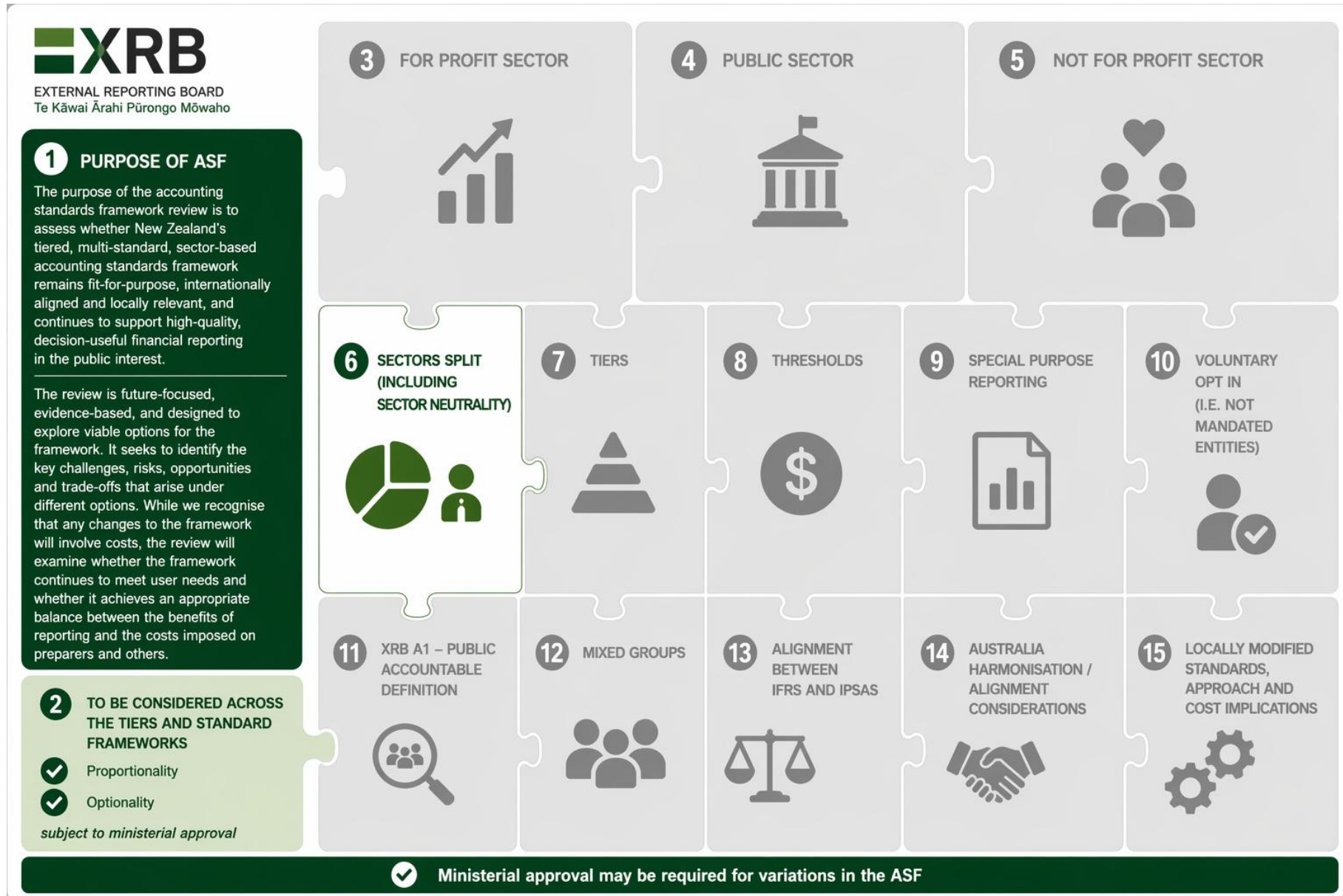
Sectors

Detailed sector analysis papers, video and survey are published on our website:

[2027 Review of the Accounting Standards Framework](#)

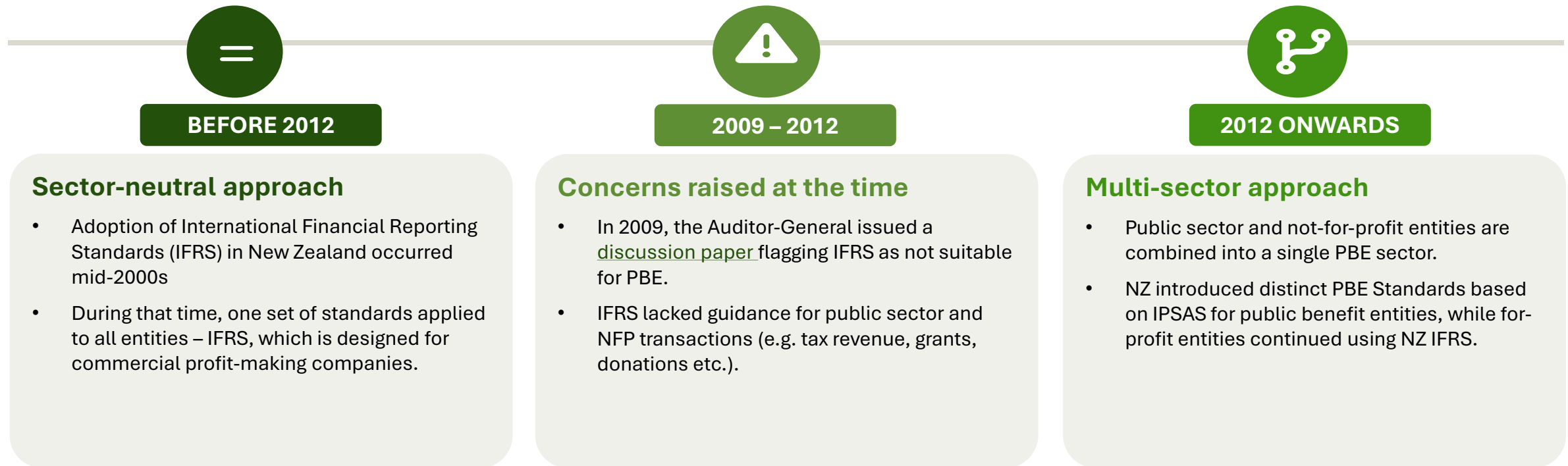


Sectors



Background – rationale for sector approach in the ASF

New Zealand moved from a single set of standards to a multi-sector and tiered approach in 2012, after recognising that a single for-profit focused framework was not considered sufficient to meet the differing needs of users across all entity types.



The XRB determines the what, not the who.

Primary legislation determine the 'who' as contained in the - Financial Reporting Act 2013, Financial Markets Conduct Act 2013, Public Finance Act 1989, Local Government Act 2002, Crown Entities Act 2004, Charities Act 2005, Incorporated Societies Act 2022, etc.

These legislative reporting requirements distinguish different sectors which is driven by Parliamentary policy design choices.

The current sectors – and how you get there

Two sectors, one classification test – and judgement where an entity's objectives are unclear or mixed.

01

Two sectors

Public benefit entity (PBE)

A reporting entity whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders.

For-profit entity

Any reporting entity that is not a PBE (XRB A1, para 6).

02

How you get there

Classification follows the entity's primary objective – substance over form.

The assessment is made at the reporting entity level, which may differ from the group.

Indicators: stated objectives, nature and beneficiaries of the benefits, equity interest, use of assets, and funding.

03

Where judgement comes in

Judgement is needed where objectives are unclear or mixed.

Where indicators conflict, they are assessed collectively, focusing on the overall substance of purpose.

Classification can change if objectives change – triggering reassessment of tier and first-time adoption.

Current economic context –

New Zealand's operating environment and international capital

New Zealand's need to maintain credibility, transparency, and comparability in global capital markets, in addition to domestic accountability objectives.

1. Structural reliance on international capital

- New Zealand's net international investment liability position at Dec 2025 was \$197bn (Sep 2025 - \$202.9 bn) ([Stats NZ](#))
- New Zealand recorded a current account deficit of \$16.3bn (3.7% of GDP) for the year ended Dec 2025 (Dec 2024: \$20bn, 4.7% of GDP, reflecting ongoing reliance on foreign capital inflow ([Stats NZ](#)))
- Persistent net international investment liability position and current account deficits have resulted in New Zealand being a net borrower, with international investors playing a key role in funding domestic economic activity.

3. Attracting international investment

- Government policy settings increasingly emphasise attracting high-quality foreign investment, primarily into the private sector, as a driver of productivity and economic growth, access to capital and long-term economic resilience.
- Initiatives include measures to increase investment inflows, improve access to international markets and position New Zealand as an attractive destination for global capital

2. Investor confidence and economic credibility

- Reliance on foreign capital links New Zealand's cost and access to funding to investor confidence.
- Confidence may be influenced by fiscal discipline and debt levels, transparency and quality of financial reporting and broader economic resilience
- Rating agencies [Moody's](#) and [Fitch](#) revised New Zealand outlook to negative (2026), reflecting rising debt, delayed fiscal consolidation, and weaker growth.
- OECD similarly highlights a more uncertain global environment, increasing the importance of fiscal credibility and sustained investment ([OECD Economic Survey New Zealand 2026](#))

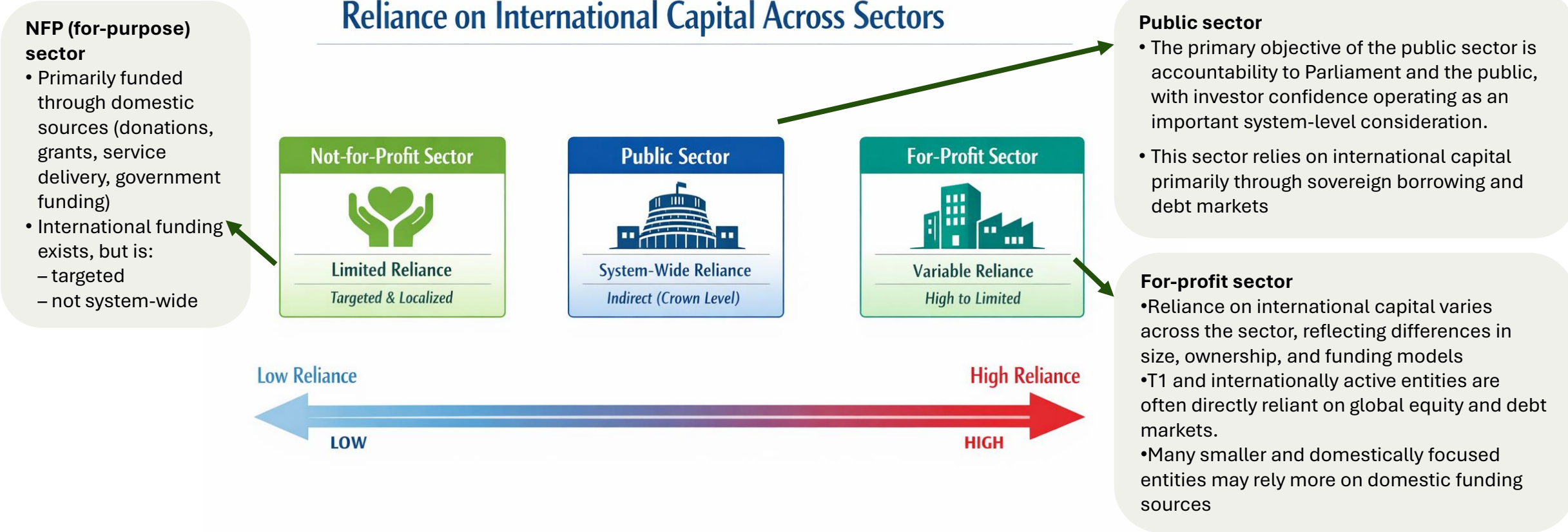
4. Ecosystem and compliance

- In this environment, financial reporting functions as part of the economic infrastructure supporting capital access
- High-quality reporting supports investor confidence and comparability, sovereign creditworthiness and efficient government borrowing
- Sector design is not only a technical choice, but it also has broader economic and strategic implications

International capital – sector comparison

While New Zealand’s reliance on international capital is a system-wide feature, its significance varies across sectors, necessitating a more granular consideration of sector-specific impacts.

Reliance on International Capital Across Sectors



The extent of reliance on international capital varies materially by sector, but is most pronounced for publicly accountable for-profit entities (direct market engagement) and the public sector (via sovereign financing). This raises the question of whether the current sector framework appropriately reflects the differing user needs, and New Zealand’s broader reliance on global capital markets.

Sector model key challenges



Challenges identified through the sector model review reflect stakeholder feedback, staff experience and observed pressures in the reporting ecosystem. Not all of these challenges can be resolved by the ASF review.

01

Structural complexity

Multiple intersecting layers (sector, tier and standards base) determine reporting requirements, rather than a single coherent pathway.

02

Classification difficulties

Classification depends on judgemental assessments of an entity's primary objective and substance, which can be unclear or mixed.

03

Mixed groups

Entities in one group may fall into different sectors, requiring multiple frameworks in a single set of financial statements.

04

Consequences of misalignment

Similar entities may be classified differently, reducing comparability and the usefulness of financial reporting.

05

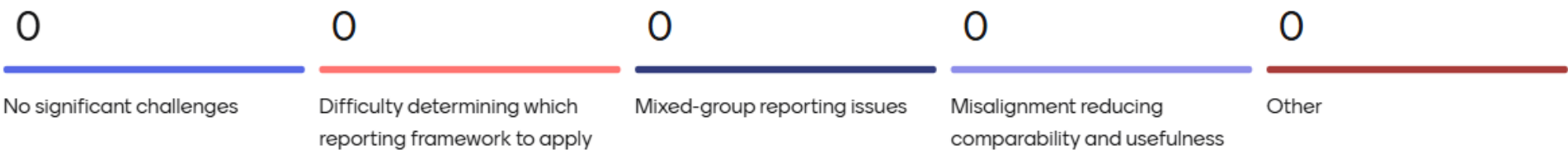
Pace of change

The operating, reporting and regulatory environment is evolving at an increasing pace, pressuring preparers and the wider ecosystem to adapt and remain current.

Being aware of these challenges helps us target where the framework can realistically make a difference, and to be transparent about what sits beyond its reach.

Polling question – menti.com

In your view, what are the biggest practical challenge with the current sector model?

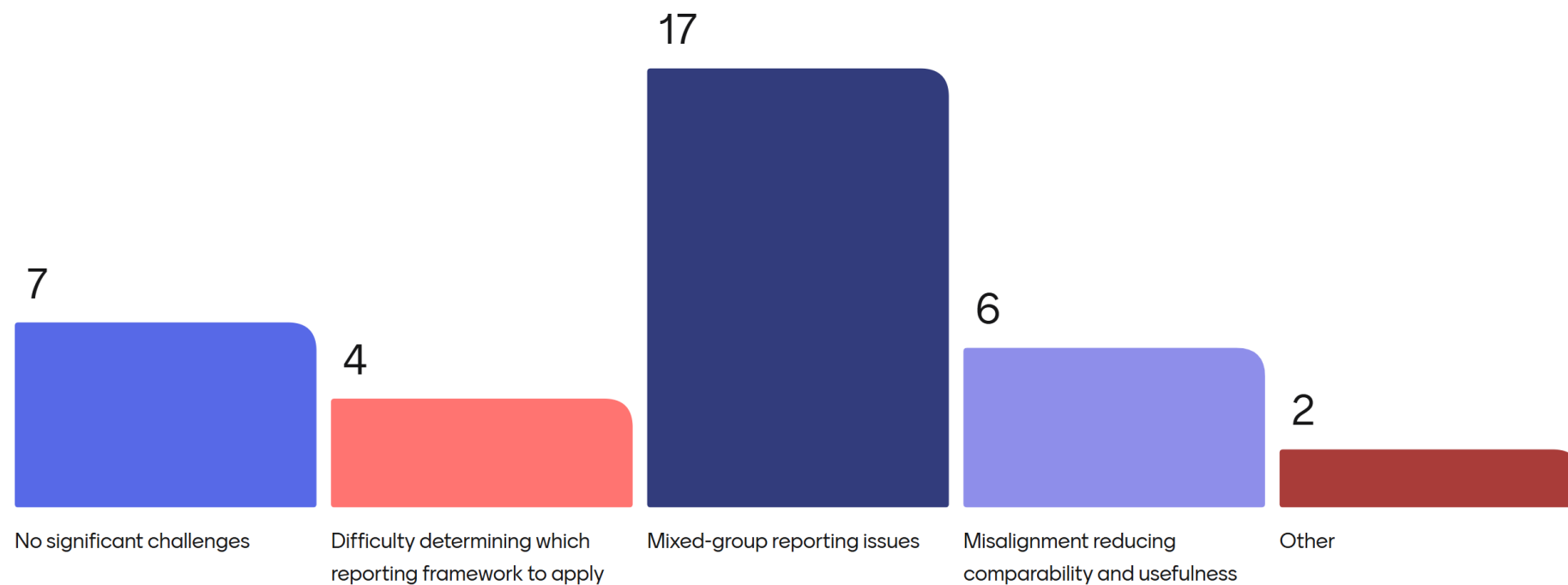




menti.com
1611 1782



In your view, what are the biggest practical challenge with the current sector model?



Exploring alternative sector models for NZ

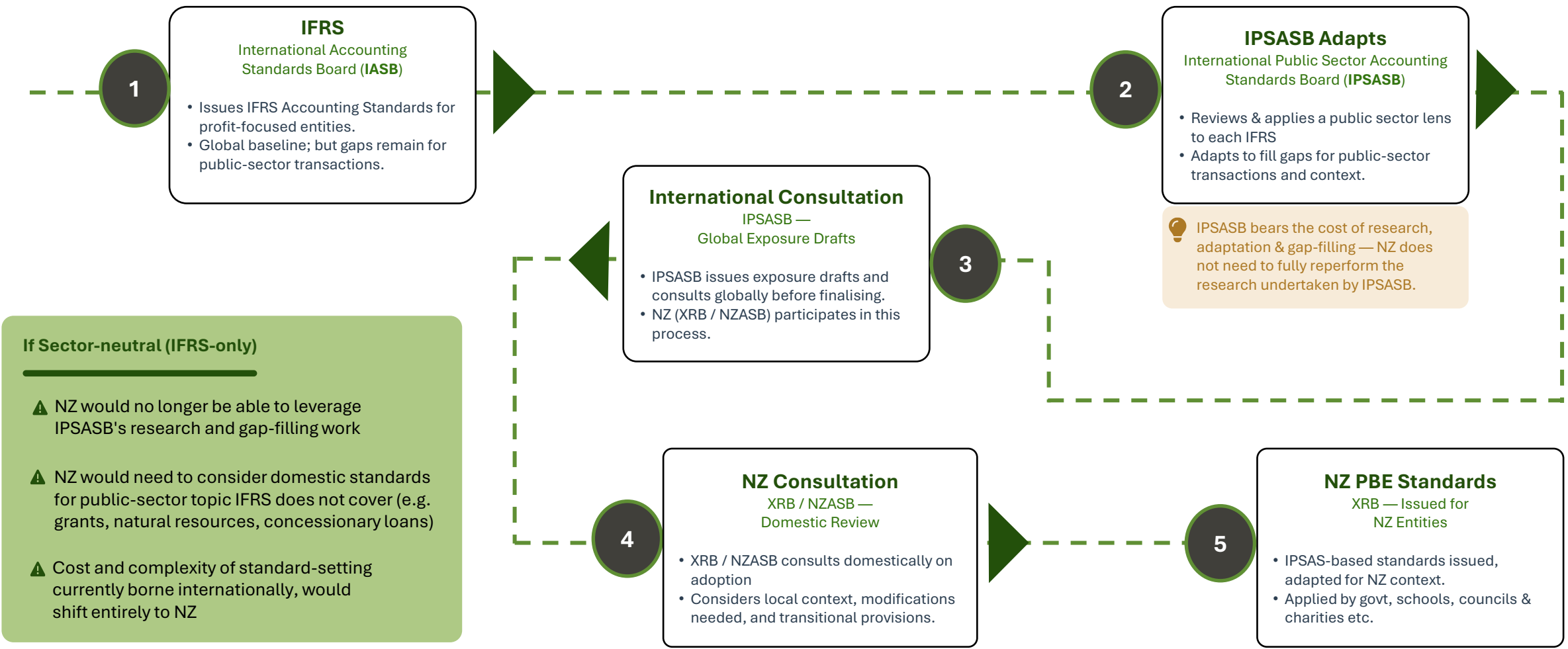
Four feasible sector model options, each assessed for pros, cons and NZ implications.

OPTION 1		OPTION 1 Two sectors For-profit and PBE	Retains the existing distinction between for-profit entities and public benefit entities (PBEs) as the basis for the framework.
OPTION 2		OPTION 2 Sector-neutral Common framework	Aligns principles and requirements across all sectors through a single, sector-neutral framework.
OPTION 3		OPTION 3 Three sectors For-profit, public sector, for-purpose	Disaggregates PBEs to recognise for-purpose entities (currently NFP) as a distinct sector from the public sector.
OPTION 4		OPTION 4 Segmentation Nature, function or mandate	Segments entities by nature, function or mandate – e.g. central and local government, Māori entities, schools, health and construction.

Sector neutral consideration: How NZ PBE Standards originate

The IFRS → IPSAS → NZ Pipeline

Many IPSAS standards begin as IFRS — IPSASB adds the public sector lens and absorbs the research cost before standards reach New Zealand; a sector-neutral approach would transfer that cost and work to NZ.

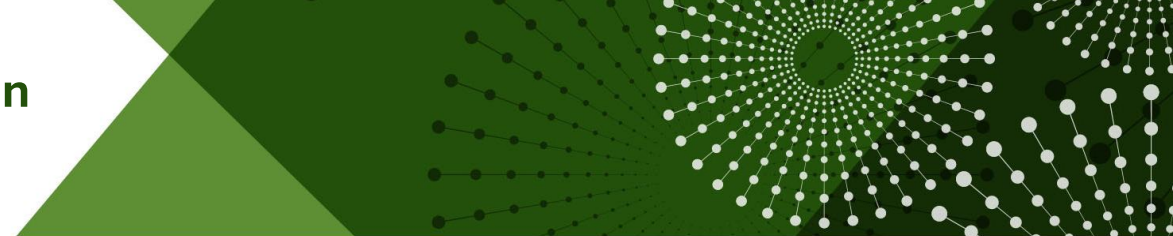


Current status of IPSAS standards vs IFRS standards

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

Alignment	Number of standards	Standards
■	7	IPSAS 2 <i>Cash Flow Statements</i> ; IPSAS 3 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> ; IPSAS 4 <i>The Effects of Changes in Foreign Exchange Rates</i> ; IPSAS 14 <i>Events After the Reporting Date</i> ; IPSAS 19 <i>Provisions, Contingent Liabilities and Contingent Assets</i> ; IPSAS 43 <i>Leases</i> ; IPSAS 44 <i>Non-current Assets Held for Sale and Discontinued Operations</i>
■	22	IPSAS 5 <i>Borrowing Costs</i> ; IPSAS 10 <i>Financial Reporting in Hyperinflationary Economies</i> ; IPSAS 12 <i>Inventories</i> ; IPSAS 16 <i>Investment Property</i> ; IPSAS 20 <i>Related Party Disclosures</i> ; IPSAS 26 <i>Impairment of Cash-Generating Assets</i> ; IPSAS 27 <i>Agriculture</i> ; IPSAS 28 <i>Financial Instruments: Presentation</i> ; IPSAS 30 <i>Financial Instruments: Disclosures</i> ; IPSAS 31 <i>Intangible Assets</i> ; IPSAS 33 <i>First-time Adoption of Accrual Basis IPSAS</i> ; IPSAS 34 <i>Separate Financial Statements</i> ; IPSAS 35 <i>Consolidated Financial Statements</i> ; IPSAS 36 <i>Investments in Associates and Joint Ventures</i> ; IPSAS 37 <i>Joint Arrangements</i> ; IPSAS 38 <i>Disclosure of Interests in Other Entities</i> ; IPSAS 39 <i>Employee Benefits</i> ; IPSAS 40 <i>Public Sector Combinations</i> ; IPSAS 41 <i>Financial Instruments</i> ; IPSAS 45 <i>Property, Plant and Equipment</i> ; IPSAS 46 <i>Measurement</i> ; IPSAS 47 <i>Revenue</i>
■	9	IPSAS 1 <i>Presentation of Financial Statements</i> ; IPSAS 18 <i>Segment Reporting</i> ; IPSAS 21 <i>Impairment of Non-Cash-Generating Assets</i> ; IPSAS 22 <i>Disclosure of Financial Information About the General Government Sector</i> ; IPSAS 24 <i>Presentation of Budget Information in Financial Statements</i> ; IPSAS 32 <i>Service Concession Arrangements: Grantor</i> ; IPSAS 42 <i>Social Benefits</i> ; IPSAS 48 <i>Transfer Expenses</i> ; IPSAS 50 <i>Exploration for and Evaluation of Mineral Resources</i>

Changing to a sector neutral model and what it may mean for NZ PBEs



What the analysis shows

- Strong alignment in the core areas.
- Differences are deliberate and sector-specific (e.g. tax revenue, grants, concessionary arrangements).

Implication for sector neutrality

- Moving to an IFRS sector neutral model does not avoid change or reduce complexity in the standards.
- IFRS alone would leave gaps.
- IPSAS already builds in public sector adaptations through international due process.
- XRB would need to develop and maintain domestic adaptations for PBE transactions and context.

Key insights

- Disruption is unavoidable under either approach – the real question is where the public-sector adaptation effort sits.
- Retaining IPSAS keeps adaptations within an internationally tested framework rather than building them domestically.

Options analysis summary and feedback



Drawing on the detailed options analysis (refer to our [ASF webpage](#) for more info), the table below outlines the key drivers for each option. This assessment is preliminary and is presented to prompt discussion — the ratings are staff judgements.

Sector Options	Recommendation	RAG rating	Key drivers of the assessment		
1. Two-sector – For-profit and PBEs	Option in DP	●	Maintains stability and sector relevance with low disruption	Entrenches existing complexity on boundary clarity	Limits system-wide efficiencies
2. Sector-neutral model	Option in DP	●	Strengthens comparability, framework simplicity and system-wide capability	Risks reduced relevance for public benefit reporting	Will introduce transition complexity
3. Three sectors – For-profit, public sector and for-purpose (NFP)	Option in DP	●	Improves conceptual alignment to policy design and relevance by distinguishing between public sector and for-purpose entities	Increases structural and classification complexity through additional sector boundaries	Introduces system fragmentation and duplication in standard-setting and capability
4. Segmentation approach	Not recommended	●	Maximises relevance through highly tailored, segment-specific reporting	Introduces significant structural complexity through multiple segments and boundary definitions	Reduces overall system coherence and efficiency due to fragmentation, duplication, and user navigation challenges

RAG rating:

● Strong fit / low concern

● Mixed fit / medium trade-off concerns

● Significant trade-off concerns

Polling question – menti.com

Which sector structure do you believe would best serve New Zealand in future?

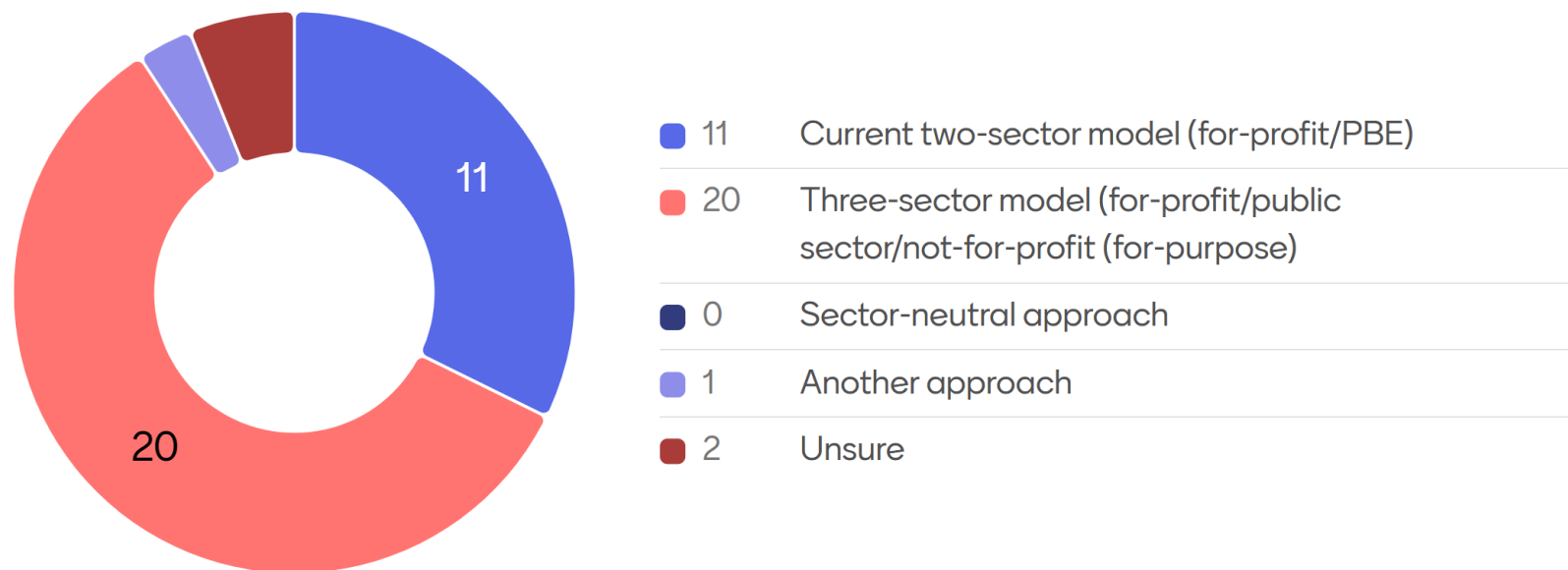


- ☐ Current two-sector model (for-profit/PBE)
- ☐ Three-sector model (for-profit/public sector/not-for-profit (for-purpose)
- ☐ Sector-neutral approach
- ☐ Another approach
- ☐ Unsure



menti.com
1611 1782

Which sector structure do you believe would best serve New Zealand in future?



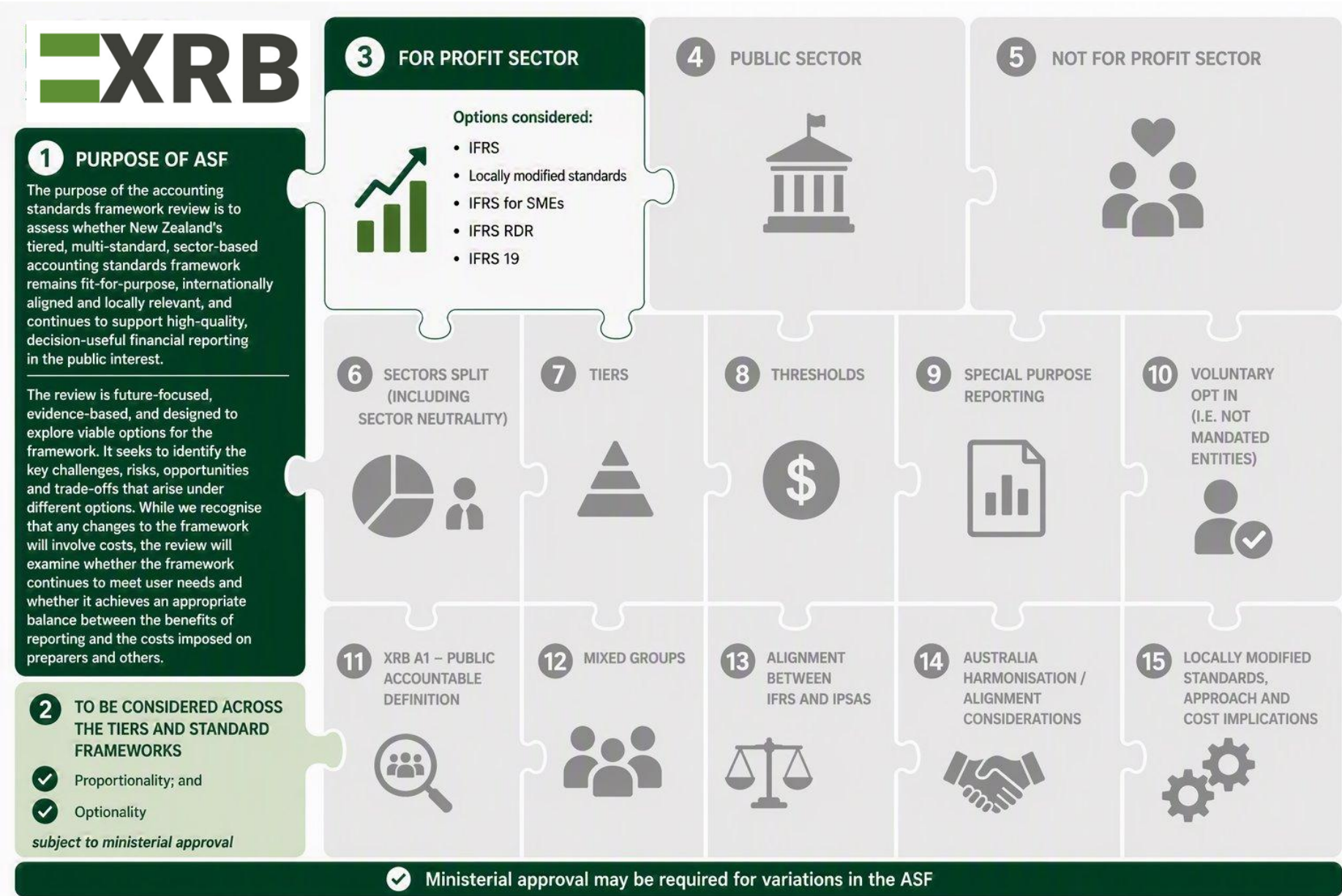
Tier 1 for-profit framework

Tier 1 for-profit framework detailed analysis papers, video and survey are published on our website:

[2027 Review of the Accounting Standards Framework](#)



For-profit sector



Entities that report in Tier 1

Tier 1 for-profit entities are those with public accountability or large for-profit public sector entities.



With public accountability

Entities that have, or are deemed to have, public accountability under XRB A1.

Entities typically in Tier 1:

- Listed issuers (~180 equity, ~144 debt on NZX)
- Registered banks (~27)
- Licensed insurers (~84)
- Other entities that have public accountability
- Managed investment schemes (deemed to have public accountability)



Large for-profit public sector

For-profit public sector entities with **total expenses** exceeding \$33m

These entities report in Tier 1 because they meet the XRB A1 criteria for large for-profit public sector entities, rather than because they have public accountability.

- This category captures only a small number of entities.

Report in Tier 1 of the ASF

The current Tier 1 reporting framework

Tier 1 entities apply full NZ IFRS. Tier 2 applies the same recognition and measurement requirements, with reduced disclosures.



Tier 1 for-profit

Full NZ IFRS

Full recognition, measurement, presentation and disclosure requirements.

What the reporting framework delivers



Comprehensive reporting — appropriate for entities with public accountability, scale and regulatory significance



International comparability — enables trans-Tasman alignment and global comparability.



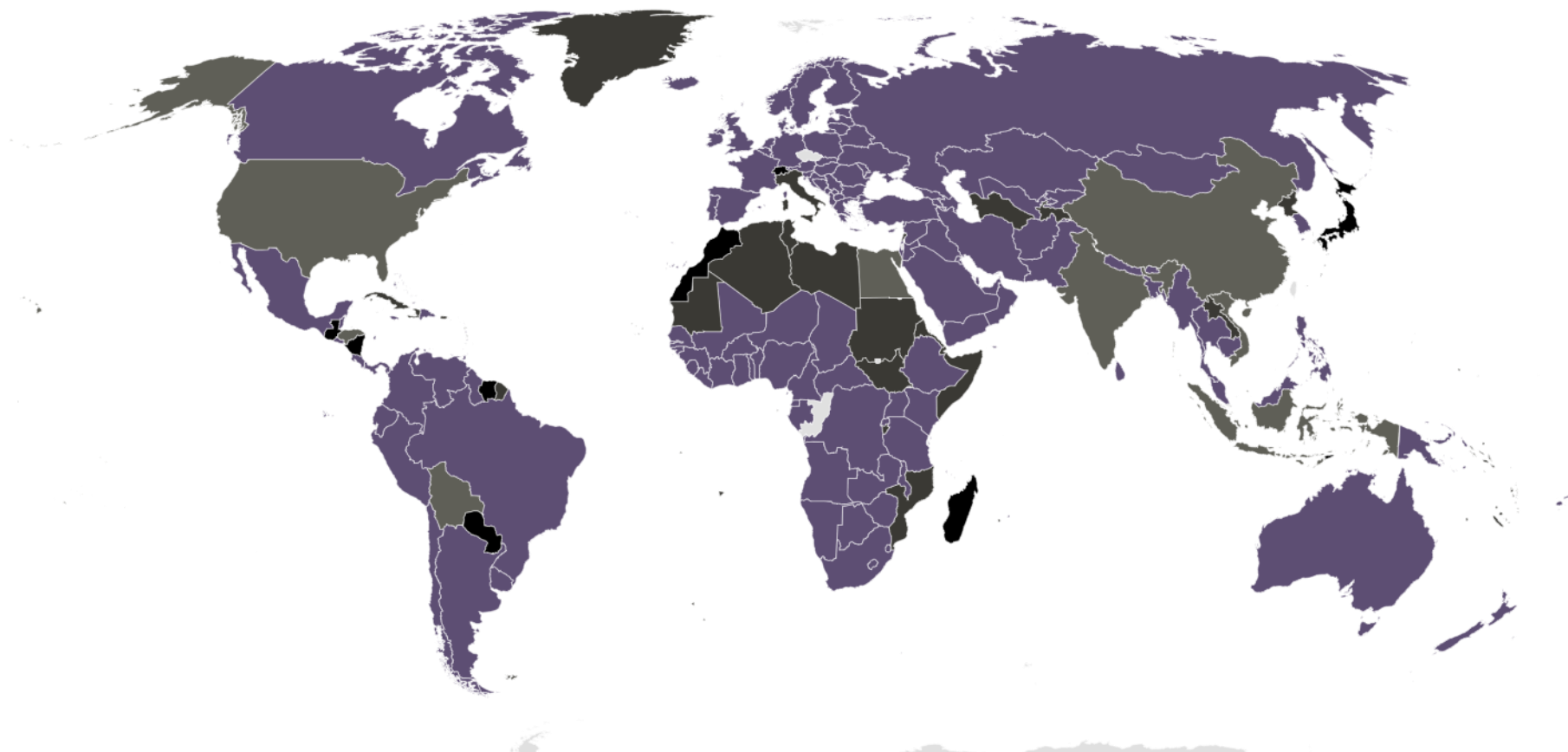
Decision-useful information — enables informed investment, lending and stewardship decisions by external users

Current framework’s international reporting context

Around 161 of the world’s ~195 jurisdictions require IFRS for domestic public companies.

Global IFRS Adoption for Domestic Public Companies

■ IFRS required for domestic listed companies ■ No information available ■ IFRS not used/other GAAP that may or may not be substantially converged with IFRS ■ IFRS permitted (option) but not required



Source: XRB staff created the map with info from [IASB website](#).

Reporting requirements: NZ's top 10 trading partners

Countries	Requirements for domestic public companies
China	China's national standards which are substantially converged with IFRS. (> 30 % of the total market cap = IFRS-compliant financial statements. China has committed to adopt IFRS).
Australia	IFRS
United States of America	US GAAP
Singapore	Singapore Financial Reporting Standards which are aligned with IFRS
Japan	IFRS, Japanese GAAP and US GAAP permitted (>40% of the total market cap = IFRS compliant financial statements).
South Korea	IFRS
United Kingdom	IFRS
Germany	IFRS
Thailand	IFRS
Malaysia	IFRS

Source: Stats NZ and IASB website.

Out of the top 10 trading partners — 7 require IFRS, 1 is substantially converged, 1 permits IFRS and only 1 has a different framework (US GAAP, considered as an alternative option below).

Practical challenges with the current Tier 1 framework

Practical implementation challenges provide context for assessing whether the current framework remains fit for purpose. Not all of these challenges can be resolved by the ASF review. Being aware of these challenges helps us target where the framework can realistically make a difference, and to be transparent about what sits beyond its reach.



01

Ongoing implementation effort

Monitoring and applying new and amended NZ IFRS requirements



02

Complexity of requirements and technical judgement

Principles-based standards require significant professional judgement from preparers, auditors and regulators.



03

Disclosure quality

Keeping disclosures entity-specific, material and understandable rather than lengthy or generic



04

Limited domestic flexibility

Maintaining IFRS convergence limits New Zealand's ability to tailor or simplify requirements while retaining IFRS compliance.

Polling question – menti.com



In your view, what are the biggest practical challenges with the current Tier 1 for-profit framework? (Select up to two).



- ☐ Complexity of requirements and technical judgements
- ☐ Ongoing implementation effort and keeping up with change
- ☐ Usefulness and relevance of reporting including disclosure quality
- ☐ Limited domestic flexibility
- ☐ No significant challenges
- ☐ Other
- ☐ Challenges are acceptable to maintain international alignment

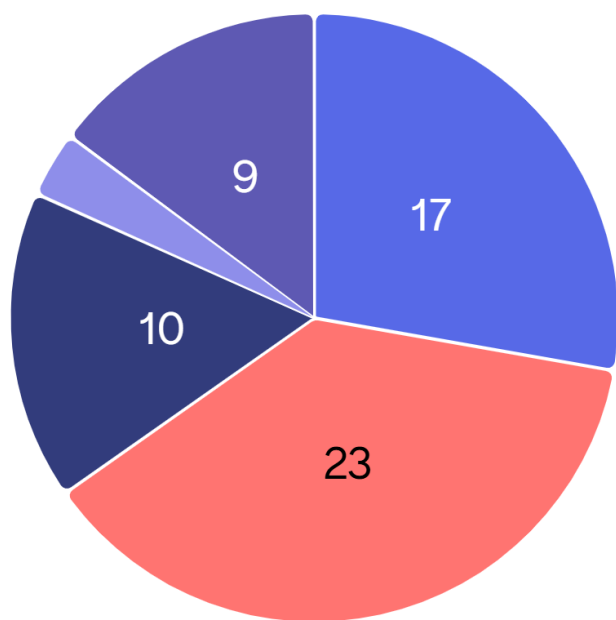


menti.com
1611 1782

Polling question – menti.com



In your view, what are the biggest practical challenges with the current Tier 1 for-profit framework? (Select up to two).



- 17 Complexity of requirements and technical judgements
- 23 Ongoing implementation effort and keeping up with change
- 10 Usefulness and relevance of reporting including disclosure quality
- 2 Limited domestic flexibility
- 0 No significant challenges
- 0 Other
- 9 Challenges are acceptable to maintain international alignment

Reporting framework options considered

The paper considers the current Tier 1 framework alongside two alternative reporting framework options.

OPTION A	 OPTION A IFRS	The current reporting framework for Tier 1 for-profit entities – based on IFRS Accounting Standards issued by the International Accounting Standards Board (IASB), with full recognition, measurement, presentation and disclosure requirements.
OPTION B	 OPTION B US GAAP	The reporting framework applied by public companies in the United States, issued by the Financial Accounting Standards Board (FASB).
OPTION C	 OPTION C Locally Modified Standards	An established international framework used as a base, with targeted modifications for the New Zealand reporting context.

Framework options – methodology and approach

A structured, evidence-based process for developing and testing framework options.

1

Entity characteristics

Understand the characteristics of the entities within each tier.

2

Legislative context

Consider legislative mandates, constraints and key drivers for financial reporting.

3

User and preparer needs

Consider the information needs of users and preparers.

4

International alignment

Consider international practice and international alignment.

5

Current challenges

Identify key challenges with the current standards.

6

Options evaluation

Identify and evaluate viable framework options against consistent key criteria, assessing the relative pros, cons and trade-offs.

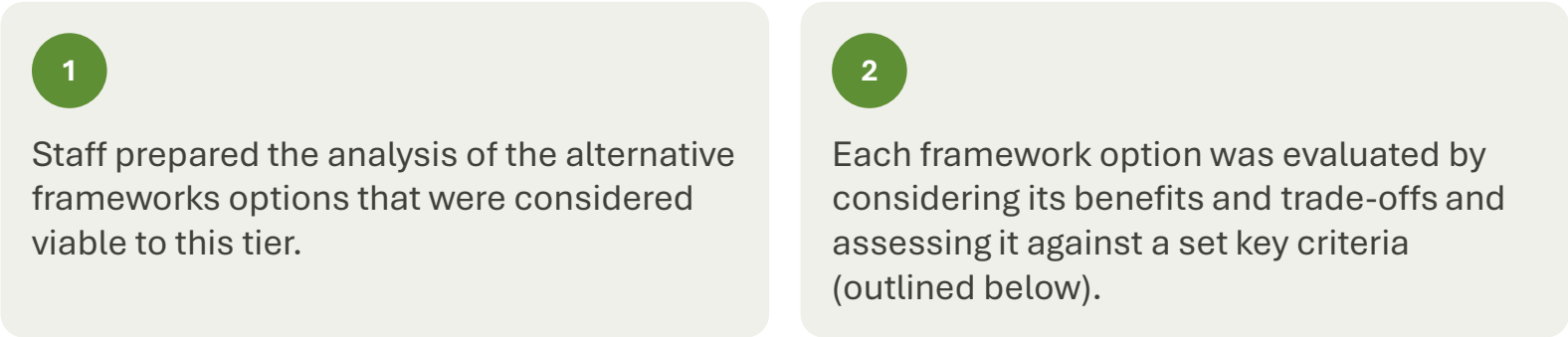
7

Recommendations — Make recommendations for inclusion in the discussion paper.

Framework-level analysis criteria

Each viable option was assessed against seven key criteria.

Process followed



Framework-level key criteria used to evaluate each option

Key criteria	Technical fitness	Simplification	International alignment	Local relevance	Ecosystem	Transition costs	Ongoing costs
This means:	Technical fitness; coherent suite capable of handling complex 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)

Framework-level analysis – summary of assessment

Each viable option was assessed against seven key criteria. Drawing on the detailed options analysis (refer to our [ASF webpage](#) for more info), the table below outlines the key drivers for each option. This assessment is preliminary and is presented to prompt discussion — the ratings are staff judgements.

Tier 1 Options	Technical fitness	Simplification	International alignment	Local relevance	Ecosystem	Transition costs	Ongoing costs
A. IFRS	●	●	●	●	●	●	●
B. US GAAP	●	●	●	●	●	●	●
C. Locally Modified Standards	●	●	●	●	●	●	●



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

Tier 1 Option	Recommendation	Key drivers of the assessment		
A. IFRS	Recommended	1. Internationally credible	2. Harmonised with Aus	3. Licence agreements limits simplification
B. US GAAP	Not recommended	1. Only used primarily in one jurisdiction	2. High transition costs	3. Loss of Aus harmonisation
C. Locally Modified Standards	Not recommended	1. Simplification possible	2. Loss of international credibility	3. High transition and maintenance costs

For Tier 1 for-profit entities, which framework would you most support?

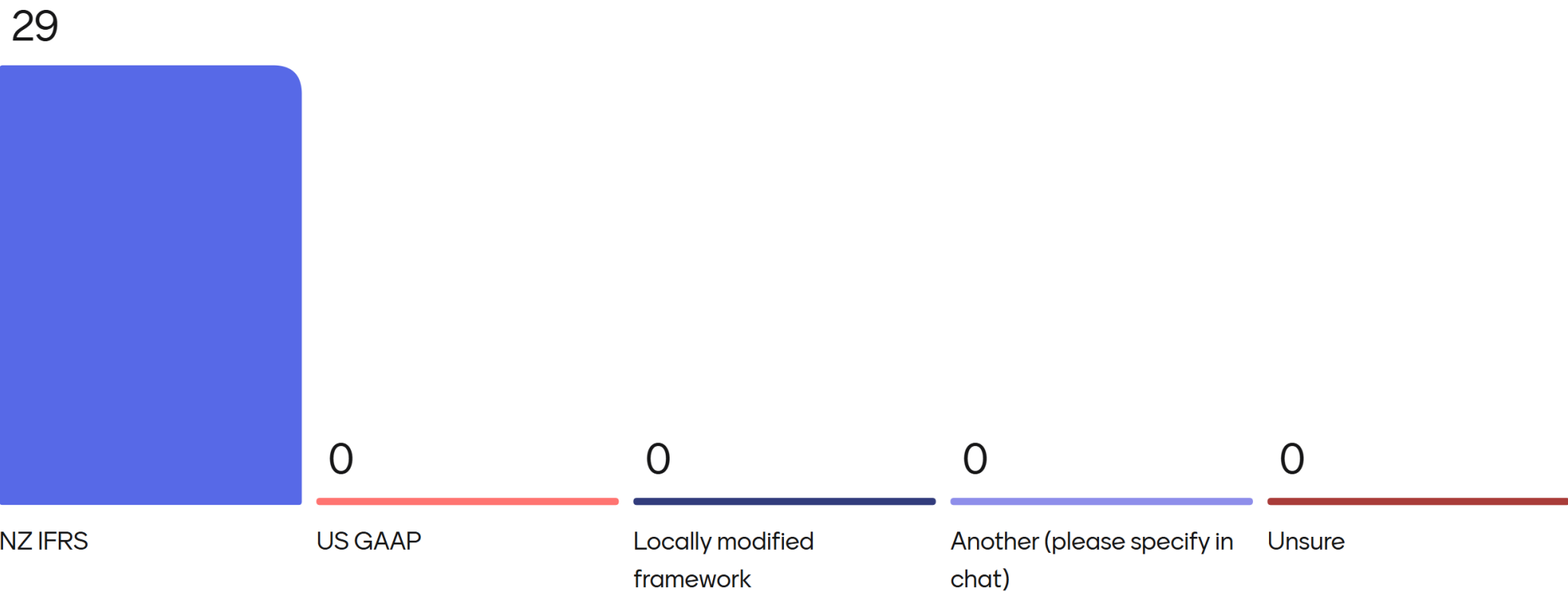


menti.com
1611 1782





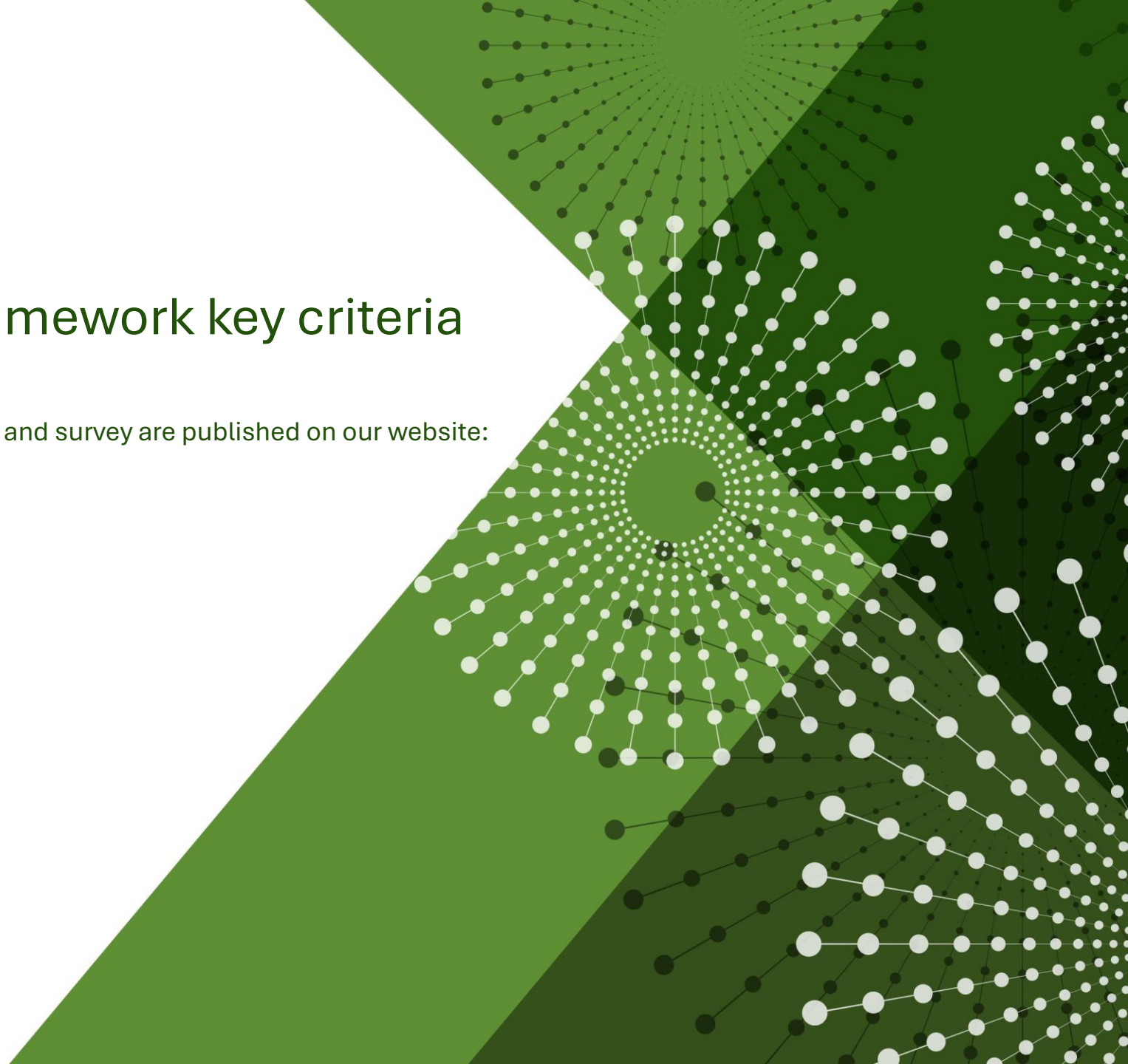
For Tier 1 for-profit entities, which framework would you most support?

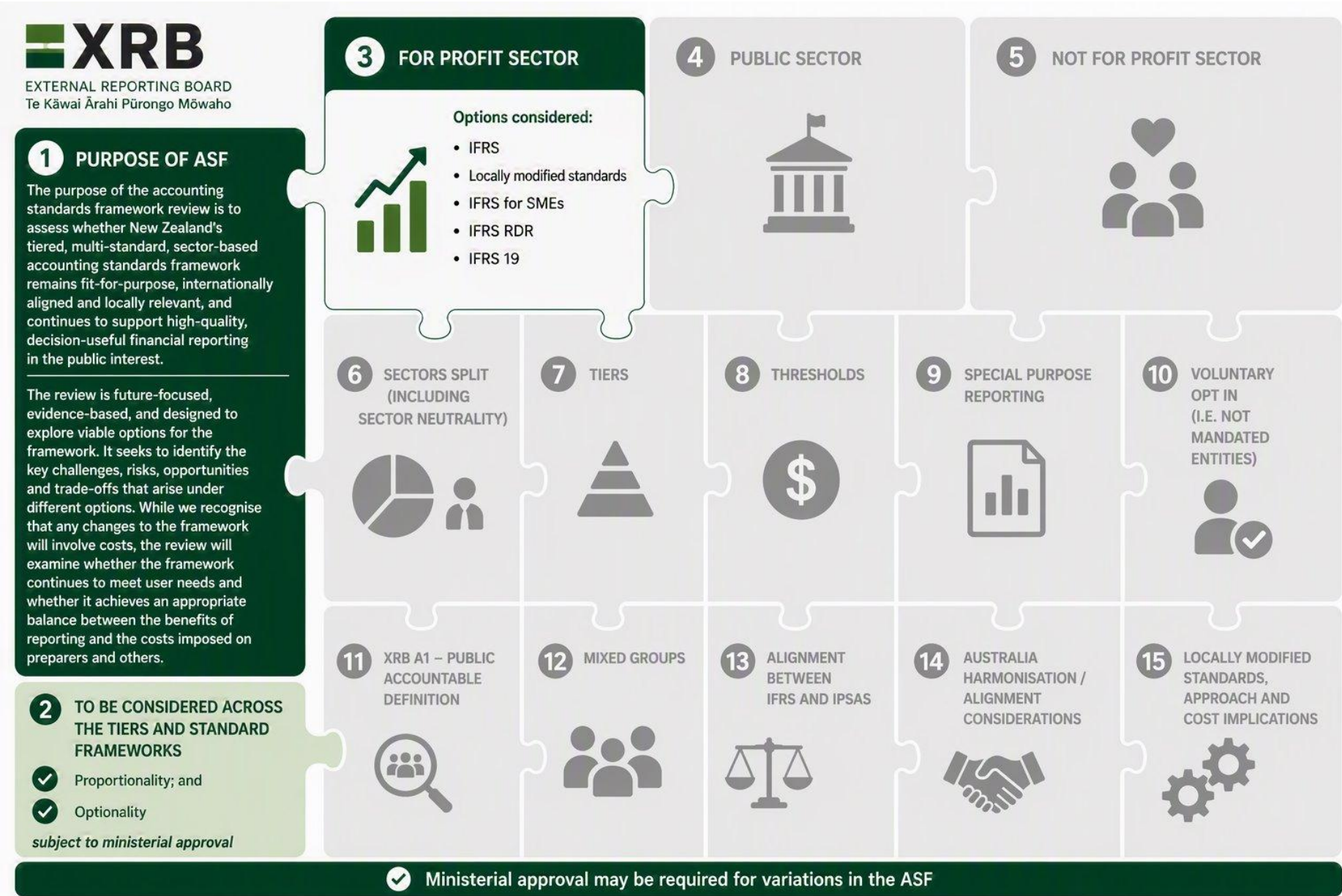


Tier 2 for-profit alternative framework key criteria analysis

Tier 2 for-profit framework detailed analysis papers, video and survey are published on our website:

[2027 Review of the Accounting Standards Framework](#)





The route into Tier 2

For-profit entities may elect to apply Tier 2 requirements if they do not have public accountability and are not large for-profit public-sector entities.



Requirement 1

Required to report

The minimum legislative threshold as per the Financial Reporting Act 2013 and Companies Act 1993 (other legislation may also impose financial reporting obligations):

- companies with over **\$66m in assets or \$33m in revenue**;
- overseas companies with over **\$22m in assets or \$11m in revenue**; and
- companies with **more than 10 shareholders**.

Note

Tier 1 is the default tier allocation per [XRB A1 BC8](#).



Requirement 2

No public accountability

Does not meet the XRB A1 public accountability definition.

No publicly traded instruments; does not hold assets in a fiduciary capacity as a primary business for a broad group of outsiders.



Requirement 3

Not large for-profit public sector

Not a large for-profit public-sector entity required to report in Tier 1 on size grounds.

Total expenses of \$33 million or less for a for-profit public-sector entity.

AND

AND

The current Tier 2 reporting framework

Tier 2 for-profit entities apply NZ IFRS RDR, retaining the same recognition, measurement and presentation requirements as Tier 1, with reduced disclosure requirements.



Tier 1 for-profit **Full NZ IFRS**

Full recognition, measurement, presentation and disclosure requirements.



Tier 2 for-profit **NZ IFRS RDR**

Reduced Disclosure Regime — same recognition and measurement, fewer disclosures.

What the reporting framework delivers



Common recognition & measurement

— Retains the same accounting recognition, measurement and presentation requirements as Tier 1.



Proportionate reporting— Provides reduced disclosure requirements for entities without public accountability.



Interoperability — Supports movement between tiers, group reporting and consolidation.

Reporting frameworks across NZ's trading partners

Countries	Framework for private / non-publicly accountable entities
China	Chinese Accounting Standards for Business Enterprises (ASBE) — substantially converged with IFRS, but not a NZ-style Tier 2 reduced-disclosure framework.
Australia	Australian IFRS Standards (Australian Accounting Standards - AAS) with simplified disclosures (AASB 1060) for eligible Tier 2 entities — closest trans-Tasman comparator: same recognition and measurement, reduced disclosures.
United States of America	US GAAP, with private-company accounting alternatives where applicable — not a comprehensive Tier 2 reduced-disclosure regime.
Singapore	Singapore FRS, with a separate small-entity standard (SFRS for SE) based on IFRS for SMEs.
Japan	Primarily Japanese GAAP for non-listed entities, with IFRS permitted in limited circumstances.
South Korea	Korean GAAP - a separate domestic framework for non-listed entities (also described as 'Accounting Standards for Non-Public Entities').
United Kingdom	UK GAAP (FRS 102, based on IFRS for SMEs but modified for the UK and Ireland), and a reduced-disclosure option (FRS 101, based on full IFRS recognition and measurement) for qualifying group entities.
Germany	German Commercial Code requirements for many individual and non-listed entity financial statements.
Thailand	A separate framework (TFRS for Non-Publicly Accountable Entities) for eligible entities.
Malaysia	Malaysian Private Entities Reporting Standard (MPERS), based on IFRS for SMEs.

Across these jurisdictions — there is no single international model for entities without public accountability; approaches range from IFRS with reduced disclosures to separate private-company frameworks.

Polling question – menti.com



For T2 for-profits, how willing would you be to accept reduced international and Australia alignment if it resulted in simpler reporting requirements?

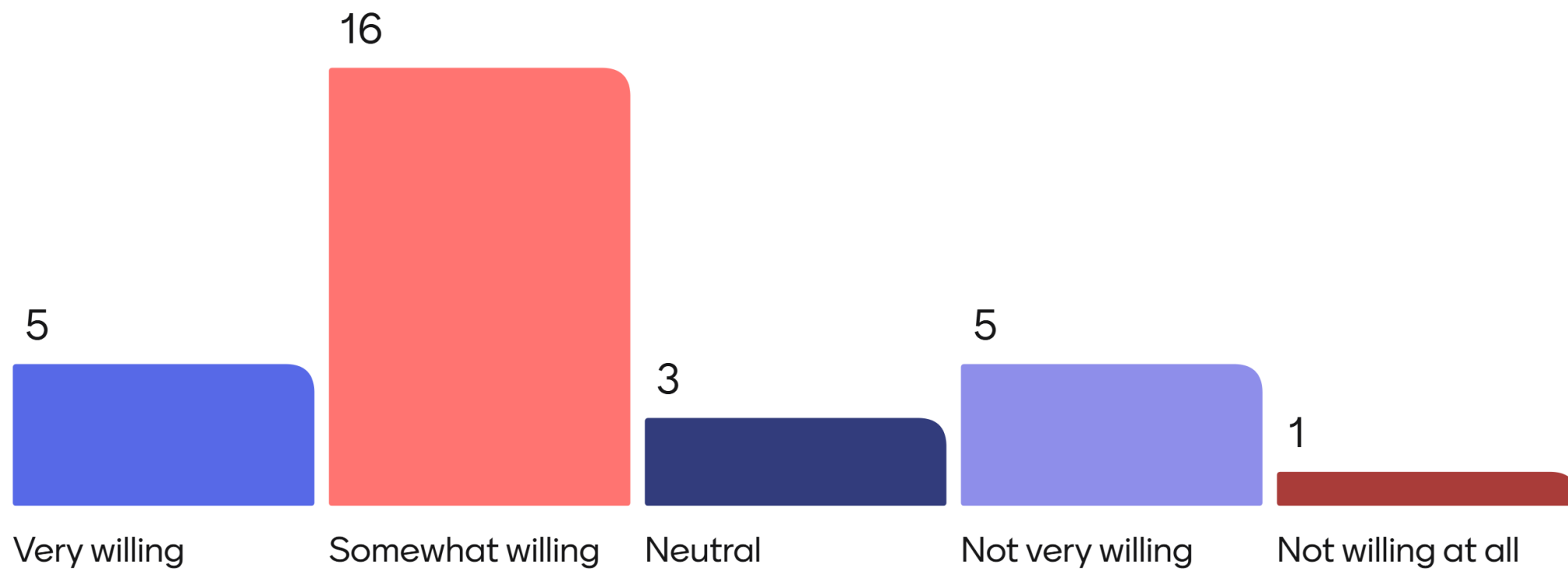




menti.com
1611 1782

Polling question – menti.com

For T2 for-profits, how willing would you be to accept reduced international and Australia alignment if it resulted in simpler reporting requirements?



Practical challenges with the current Tier 2 framework

Practical implementation challenges provide context for assessing whether the current framework remains fit for purpose. Not all of these challenges can be resolved by the ASF review. Being aware of these challenges helps us target where the framework can realistically make a difference, and to be transparent about what sits beyond its reach.



01

Ongoing implementation & maintenance

Tier 2 entities must monitor and implement ongoing NZ IFRS changes, many of which are developed primarily for publicly accountable entities.



02

Recognition and measurement complexity

Tier 2 entities apply the same recognition and measurement requirements as Tier 1, which may be more complex than necessary for some entities without public accountability.



03

Diversity of the Tier 2 population

The Tier 2 population is diverse, making it difficult to determine whether a single recognition, measurement and disclosure model remains proportionate for all eligible entities.



04

Limited domestic flexibility

Alignment with Tier 1 recognition and measurement limits New Zealand's ability to simplify or tailor requirements for Tier 2 entities.

Polling question – menti.com

In your view, what are the biggest practical challenges with the current Tier 2 for-profit framework? (Select up to two).



- ☐ Ongoing implementation effort and keeping up with change
- ☐ Recognition and measurement complexity
- ☐ Usefulness and relevance of reporting including disclosure quality
- ☐ Limited domestic flexibility
- ☐ No significant challenges
- ☐ Other
- ☐ Challenges are acceptable to maintain international alignment

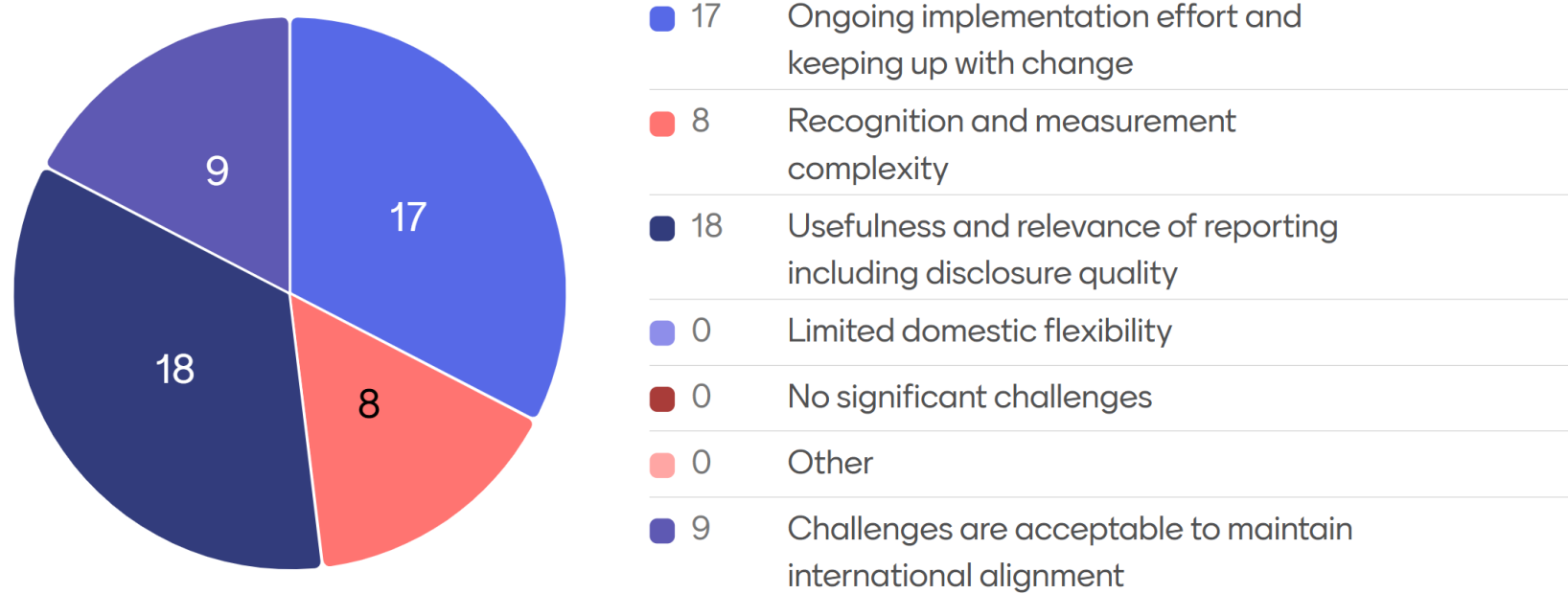


menti.com
1611 1782

Polling question – menti.com



In your view, what are the biggest practical challenges with the current Tier 2 for-profit framework? (Select up to two).



Reporting framework options considered

The paper considers the current Tier 2 framework alongside three alternative reporting framework options.

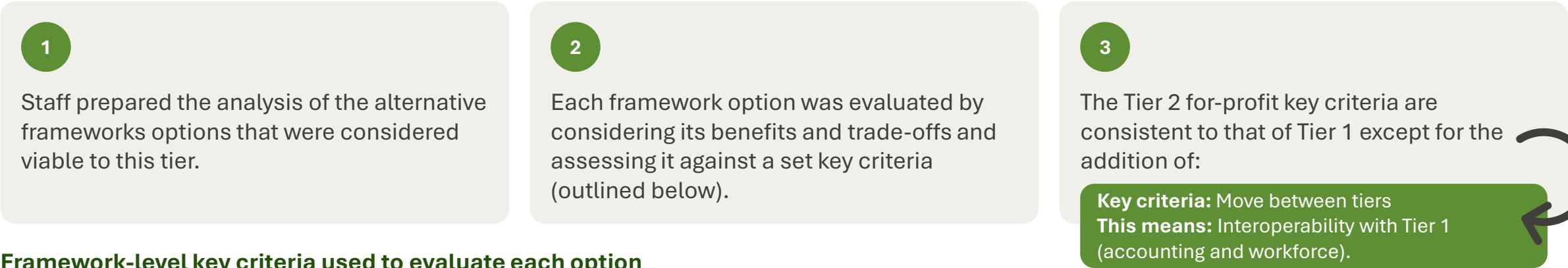
OPTION A		OPTION A IFRS RDR	The current Tier 2 framework: the same IFRS recognition and measurement requirements as Tier 1, with reduced disclosure requirements (IFRS RDR).
OPTION B		OPTION B IFRS 19	IFRS 19 <i>Subsidiaries without public accountability</i> is an IFRS Accounting Standard providing reduced disclosures for eligible subsidiaries, while retaining full IFRS recognition and measurement requirements.
OPTION C		OPTION C IFRS for SMEs	A standalone international standard for eligible entities without public accountability, with simplified recognition, measurement and disclosure requirements..
OPTION D		OPTION D Locally Modified Standards	An established international framework used as a base, with targeted modifications for the New Zealand reporting context.

Note: US GAAP was not assessed as an option for Tier 2 as it reflects a significant departure from the current IFRS-based framework.

Framework-level analysis criteria

Each viable option was assessed against eight key criteria.

Process followed



Framework-level key criteria used to evaluate each option

Key criteria	Technical fitness	Simplification	International alignment	Local relevance	Ecosystem	Transition costs	Ongoing costs
This means:	Technical fitness; coherent suite capable of handling complex 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)

Framework-level analysis – summary of assessment

Each viable option was assessed against seven key criteria. Drawing on the detailed options analysis (refer to our [ASF webpage](#) for more info), the table below outlines the key drivers for each option. This assessment is preliminary and is presented to prompt discussion — the ratings are staff judgements.

Tier 2 Option	Technical fitness	Simplification	International alignment	Local relevance	Ecosystem	Transition costs	Ongoing costs	Move between tiers	● Strong fit / low concern ● Mixed fit / medium trade-off concerns ● Significant trade-off concerns
A. IFRS RDR	●	●	●	●	●	●	●	●	
B. IFRS 19	●	●	●	●	●	●	●	●	
C. IFRS for SMEs	●	●	●	●	●	●	●	●	
D. Locally Modified Standards	●	●	●	●	●	●	●	●	
E. US GAAP	●	●	●	●	●	●	●	●	

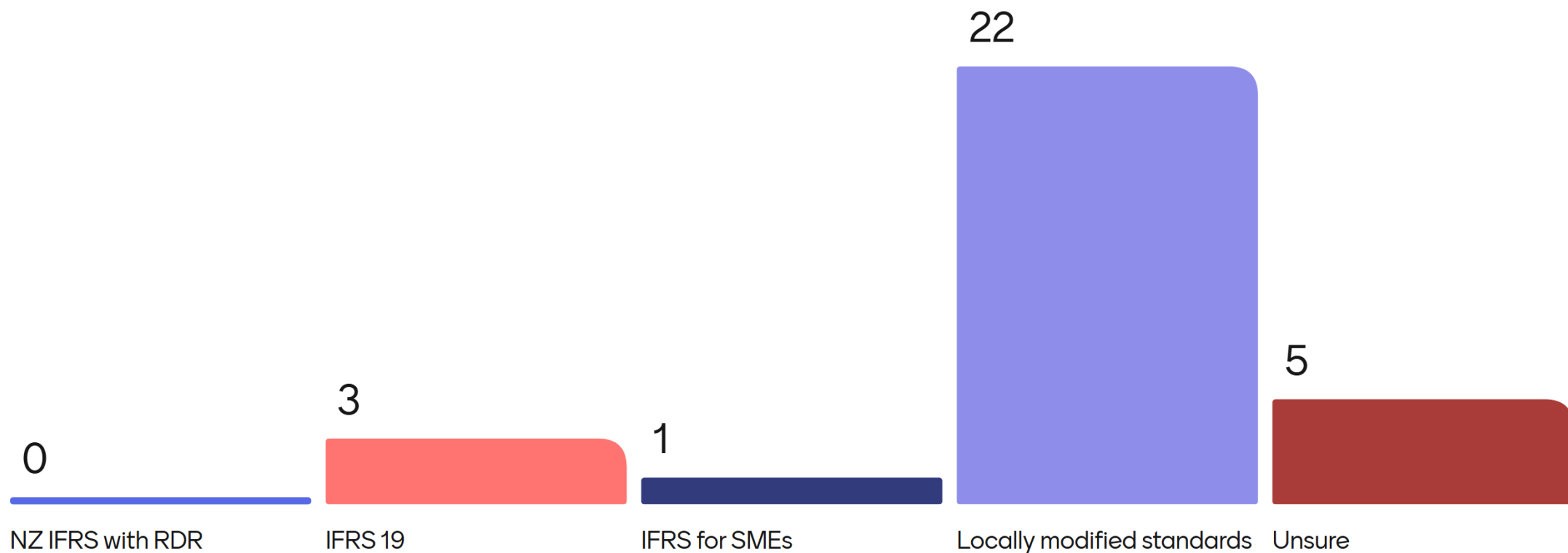
Tier 2 Option	Recommendation	Key drivers of the assessment		
A. IFRS RDR	Option to be included DP	1. Internationally credible	2. Interoperability with Tier 1	3. Licence agreements limits simplification
B. IFRS 19	Option to be included DP	1. Restricted eligibility	2. Internationally credible and interoperability with Tier 1	3. Licence agreements limits simplification
C. IFRS for SMEs	Option to be included DP	1. Simplified recognition and measurement	2. Disruption of current ecosystem	3. Reduced ongoing costs
D. Locally modified	Option to be included DP	1. Simplification possible	2. Loss of international credibility	3. High transition and maintenance costs
E. US GAAP	Not recommended	1. Only used primarily in one jurisdiction	2. High transition costs	3. Loss of Aus harmonisation

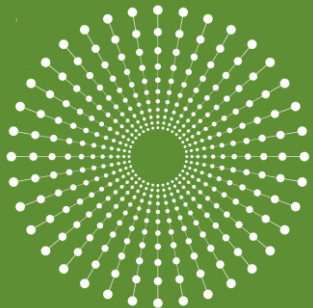
For Tier 2 entities, which framework would you NOT support?





For Tier 2 entities, which framework would you NOT support?





For more information, refer to our dedicated ASF review webpage.

Have your say

Scan the QR code to provide feedback on this topic and help inform the development of the Discussion Paper.

Sectors Split



Tier 1 For-Profit Reporting
Frameworks Feedback Survey



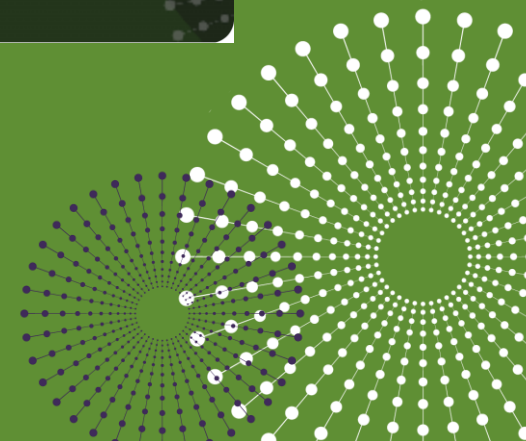
Tier 2 For-Profit Reporting
Frameworks Feedback Survey



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

This need-to-know session outlined some of the key issues and considerations we are currently exploring. We are keen to hear whether our analysis is complete, whether there are other challenges or opportunities we should consider, and whether there are perspectives we may have overlooked.

You can provide feedback at any stage by scanning the relevant QR code and completing the short survey for the Tier 2 for-profit reporting framework review. Your input will help inform the development of the Discussion Paper.





Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Pātai
Questions?



Find out more

xrb.govt.nz



Follow us

linkedin.com/company/external-reporting-board



Contact us

enquiries@xrb.govt.nz



Subscribe

xrb.govt.nz/sign-up



| *Te Kāwai Ārahi Pūrongo Mōwaho*
EXTERNAL REPORTING BOARD



Thank you
Mā te wā