



**EXPLANATORY GUIDE A2: *OVERVIEW OF THE ACCOUNTING  
STANDARD SETTING PROCESS (EG A2)***

**Issued by the External Reporting Board**

August 2014

This Explanatory Guide outlines the due process that is followed by the New Zealand Accounting Standards Board (NZASB), a sub-Board of the External Reporting Board (XRBB), in developing and issuing accounting standards and authoritative notices.

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## INTRODUCTION

- 1 The External Reporting Board (XRB) is an independent Crown Entity with continued existence under section 11 of the Financial Reporting Act 2013, and is subject to the provisions of the Crown Entities Act 2004. The XRB is responsible for:
  - (a) financial reporting strategy;
  - (b) developing and issuing accounting standards and authoritative notices<sup>1</sup>;
  - (c) developing and issuing auditing and assurance standards; and
  - (d) liaising with similar international or national organisations.
- 2 In this Explanatory Guide the organisation is referred to as the XRB and the governance group is referred to as the XRB Board.

## ROLES OF THE XRB BOARD AND THE NZASB

- 3 The XRB Board has established a sub-board, the New Zealand Accounting Standards Board (NZASB). The NZASB is responsible for developing and issuing accounting standards and authoritative notices. The NZASB operates under delegated authority from the XRB Board.
- 4 Although responsibility for setting accounting standards and authoritative notices has been delegated to the NZASB, the XRB Board is responsible for ensuring that appropriate due process occurs in the promulgation of standards and authoritative notices. Due process is an essential part of an effective standard setting process, and is also a statutory obligation. The XRB Board considers due process to be important to achieving the XRB's outcome goal of *the establishment of accounting and assurance standards that engender confidence in New Zealand financial reporting, assist entities to compete internationally and enhance entities' accountability to stakeholders*.
- 5 The XRB Board has established a minimum set of due process requirements to be followed by the NZASB in carrying out its responsibilities. Those requirements are outlined in this Explanatory Guide. This Explanatory Guide has been published so that the standard setting process is clear and transparent to constituents and to indicate where constituents may contribute to the process.

## THE NZASB'S STANDARD SETTING PROCESS

### The standard setting environment

- 6 The XRB Board has established an Accounting Standards Framework that requires the NZASB to set standards for different sectors and different sized entities, based on a multi-standards, multi-tier approach. The NZASB issues standards appropriate to each tier in each sector for entities meeting the necessary criteria to be in a particular tier<sup>2</sup>. Under the multi-standards, multi-tier approach, the NZASB issues separate sets of standards for the for-profit sector and for the public benefit entity (PBE) sector.
- 7 In the for-profit sector, the NZASB issues For-profit Accounting Standards, which comprise:
  - (a) Accounting standards based on pronouncements issued by the International Accounting Standards Board (IASB);
  - (b) Financial Reporting Standards (FRSs); and
  - (c) Authoritative notices.
- 8 Accounting standards based on pronouncements issued by the IASB comprise the New Zealand equivalent pronouncements to International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and International Financial Reporting Standards Interpretations (IFRICs and SICs) issued by the IASB and the IFRS Interpretations Committee.
- 9 FRSs are New Zealand-specific standards. They are developed domestically.

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<sup>1</sup> Under section 12(c) of the Financial Reporting Act 2013, "authoritative notices" may be issued by the XRB Board for the purposes of the definition of generally accepted accounting practice.

<sup>2</sup> The various versions of Standard XRB A1 *Accounting Standards Framework* currently in effect set out, among other matters, the tier structure, tier criteria, applicable standards and movement between tiers for relevant entities.

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- 10 In the for-profit sector, the NZASB issues the New Zealand Equivalent to the IASB *Conceptual Framework for Financial Reporting 2010* (NZ Framework) as an Authoritative Notice.
- 11 In the PBE sector, the NZASB issues PBE Accounting Standards, which comprise:
- (a) PBE Standards based on International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board (IPSASB);
  - (b) PBE Standards based on selected IFRSs, IASs, IFRICs and SICs issued by the IASB and the IFRS Interpretations Committee;
  - (c) PBE FRSs and Simple Format Reporting Standards (SFR Standards) that are developed domestically; and
  - (d) Authoritative notices.
- 12 In the PBE sector, the NZASB issues the PBE Framework as an Authoritative Notice.
- 13 The NZASB uses one of four different processes to develop and issue all the standards and authoritative notices in the two sectors. The specific process applied depends on the type of pronouncement, its source, and relevant circumstances. The four processes set out in this Explanatory Guide and the pronouncements that they relate to are summarised in the following table:

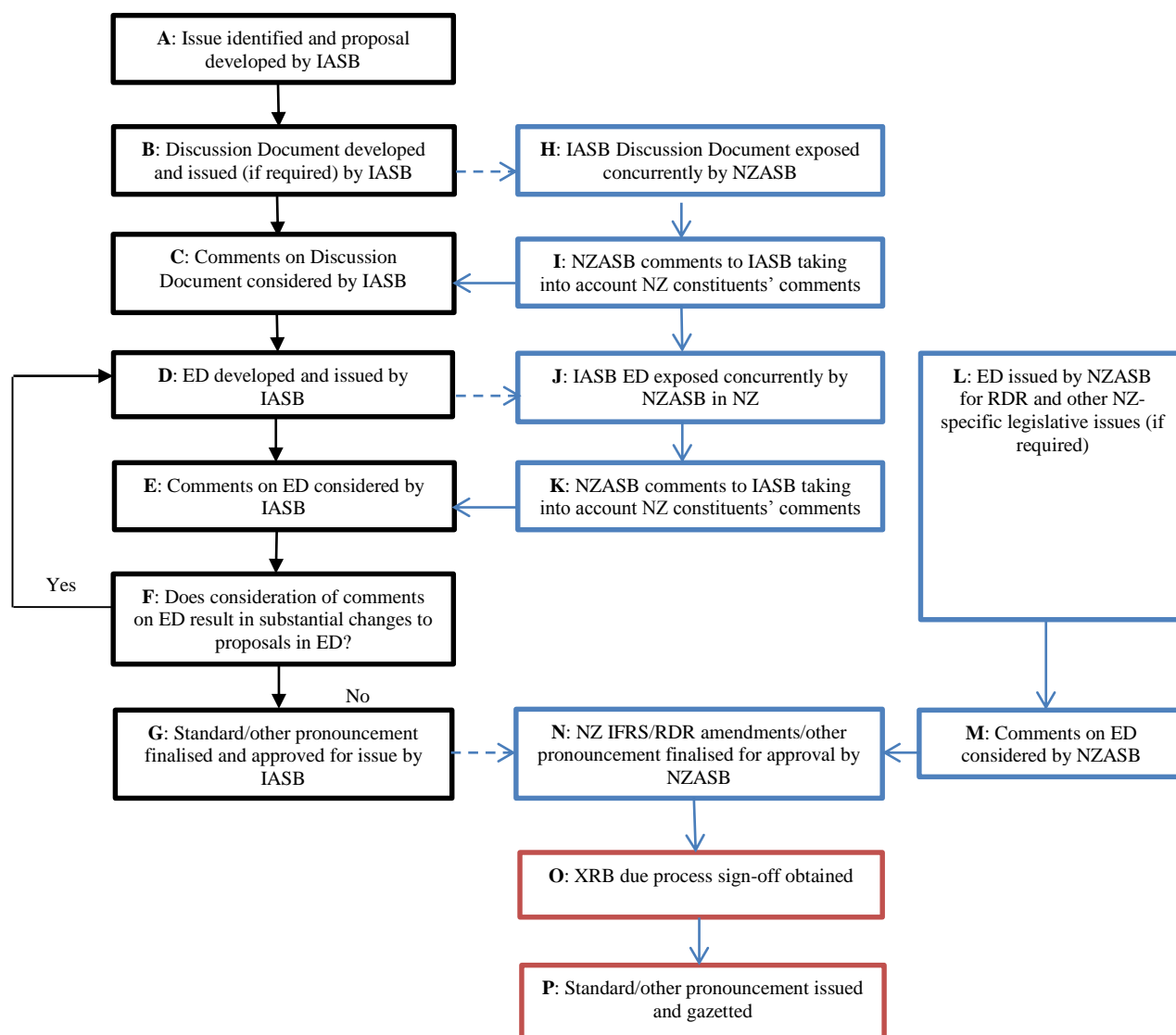
<b>Process</b>	<b>Type of pronouncement</b>
Process 1 – Process for For-profit Accounting Standards based on IASB pronouncements	<ul style="list-style-type: none"> <li>• NZ IFRSs</li> <li>• NZ IASs</li> <li>• NZ IFRICs</li> <li>• NZ SICs</li> <li>• Relevant authoritative notices</li> <li>• Amendments to standards and authoritative notices</li> </ul>
Process 2 – Process for PBE Accounting Standards based on IPSASB pronouncements	<ul style="list-style-type: none"> <li>• PBE IPSASs</li> <li>• Relevant authoritative notices</li> <li>• Amendments to standards and authoritative notices</li> </ul>
Process 3 – Process for PBE Accounting Standards based on IASB pronouncements	<ul style="list-style-type: none"> <li>• PBE IFRSs</li> <li>• PBE IASs</li> <li>• Relevant authoritative notices</li> <li>• Amendments to standards and authoritative notices</li> </ul>
Process 4 – Process for domestic standards for inclusion in For-profit Accounting Standards or in PBE Accounting Standards	<ul style="list-style-type: none"> <li>• FRSs</li> <li>• PBE FRSs</li> <li>• SFR Standards</li> <li>• Relevant authoritative notices</li> <li>• Amendments to standards and authoritative notices</li> </ul>

- 14 The NZASB occasionally issues other documents, such as explanatory guides. These are usually issued without formal public consultation because they contain explanatory material, have no legal status and are not mandatory.
- 15 In addition to the due process followed by the NZASB in developing and issuing standards and authoritative notices, transparency of the NZASB's standard setting role is enhanced by the technical sessions of NZASB meetings being open to the public. Furthermore, NZASB agenda papers are available on the XRB's website and minutes of meetings are available once they have been approved.

**Process 1: Process for For-profit Accounting Standards based on IASB pronouncements**

16 The process the NZASB follows for developing and issuing For-profit Accounting Standards based on IASB pronouncements is set out in Figure 1. This Figure should be read in conjunction with the commentary on Process 1. The steps in the commentary refer to the steps in Figure 1.

*Figure 1: Process for For-profit Accounting Standards based on IASB pronouncements*



**Steps A-G**

17 The XRB Board is committed to adopting international standards in the for-profit sector. The decision to adopt IFRSs in New Zealand for the Tier 1 for-profit sector is a commitment to using that set of standards as a whole. This means that failure to adopt any particular standard, amend a recognition or measurement requirement, or remove a disclosure requirement would mean that Tier 1 for-profit entities in New Zealand are unable to assert compliance with IFRSs. Therefore, the XRB Board's strategy is to maintain the Tier 1 For-profit Accounting Standards based on the IASB's standards as a set of standards converged with IFRSs (i.e. the same in all material respects). This means that, unless extreme circumstances exist, for Tier 1 For-profit Accounting Standards, the NZASB:

- (a) will adopt all IFRSs;
- (b) will not amend IFRS recognition and measurement requirements; and
- (c) will not reduce IFRS disclosure requirements.

- 18 The process the NZASB follows for developing and issuing For-profit Accounting Standards based on IASB pronouncements is aligned with the IASB's international process for issuing IFRSs (and other pronouncements)<sup>3</sup>. Steps A to G in Figure 1 represent the IASB's international process for issuing its pronouncements. Although the IASB's international due process is a critical aspect of the overall standard setting process in New Zealand and is relied on by the NZASB, Process 1 focuses on the steps the NZASB takes when issuing pronouncements for for-profit entities based on IASB pronouncements. IASB's international due process is set out in the *IASB and IFRS Interpretations Committee Due Process Handbook* (February 2013)<sup>4</sup> and in the IASB Preface to International Financial Reporting Standards.
- 19 The XRB Board and the NZASB consider that commenting on IASB documents as well as contributing to the development of those documents, where appropriate, is important to support the work of the IASB and to ensure that the standard (or other pronouncement) issued by the IASB (and subsequently adopted in New Zealand) is appropriate for New Zealand. International pronouncements per se are not issued in New Zealand. Accordingly, the NZASB's involvement in the process of issuing international pronouncements ceases when the IASB's exposure draft (ED) process is completed.

#### **Steps H-K**

- 20 When the IASB issues a document (such as an ED or discussion document<sup>5</sup>), the NZASB notifies interested parties that the document has been issued and is available for comment in New Zealand. Where appropriate, the IASB or the NZASB arranges forums to enable discussion and exchanges of opinion on the document.
- 21 Constituents' comments are generally sought on:
- (a) the proposals set out in the international ED or discussion document; and
  - (b) any regulatory issues or other factors specific to the New Zealand economic and legal environment that could affect implementation of the proposals.
- 22 The notification that an international ED has been issued also notes for constituents that if no modifications to the IASB's ED are identified by the NZASB or by constituents, and the IASB finalises the ED as it is, the IFRS when issued will be adopted for Tier 1 for-profit entities in New Zealand without further exposure (subject to any further due process from the IASB).
- 23 The IASB's international due process comment period varies depending on the complexity of the topic, but is typically 120 days<sup>6</sup>. Proposed changes that result in only minor amendments to an issued international standard may be progressed more quickly.
- 24 Anyone can send comments to the IASB on their documents. As the national standard setter, the NZASB sends comments to the IASB if it considers it appropriate to do so<sup>7</sup>. Constituents can comment directly to the IASB or to the NZASB. If comments are made directly to the IASB, the NZASB appreciates receiving a copy so it can take the comments into account when developing its own comments to the IASB. Unless a constituent requests otherwise, their comments are included on the XRB's website. However, all comments the NZASB receives are subject to the Official Information Act 1982 and the Privacy Act 1993.
- 25 If an IFRS or other IASB pronouncement is adopted without substantive change in New Zealand, the NZASB proceeds to issue the NZ IFRS (or other pronouncement) for Tier 1 for-profit entities once it has been issued by the IASB.
- 26 In the unusual circumstance that the NZASB considers that modifications are required to the IFRS to reflect, for example, New Zealand legislative requirements, these modifications will be exposed through a separate due process, ideally around the same time as the international due process. The ED will clearly

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<sup>3</sup> Other pronouncements issued by the IASB include the IASB's Conceptual Framework and amendments to its standards.

<sup>4</sup> [http://www.ifrs.org/DPOC/Documents/2013/Due\\_Process\\_Handbook\\_Resupply\\_28\\_Feb\\_2013\\_WEBSITE.pdf](http://www.ifrs.org/DPOC/Documents/2013/Due_Process_Handbook_Resupply_28_Feb_2013_WEBSITE.pdf)

<sup>5</sup> Discussion documents issued by the IASB may include discussion papers and requests for views.

<sup>6</sup> The concurrent comment period in New Zealand is usually marginally shorter to enable the NZASB to receive comments from New Zealand constituents before making its own submission to the IASB.

<sup>7</sup> The NZASB may also contribute to the Asian-Oceanian Standard-Setters Group (AOSSG) when the AOSSG makes comments on behalf of countries in the Asian-Oceanian region. The AOSSG is a grouping of the accounting standard-setters in the Asian-Oceanian region. The group has been formed to discuss issues and share experiences on the adoption of IFRS and to contribute to the development of a high-quality set of global accounting standards.

highlight the proposed modifications and the reasons for them. When issued, the NZ IFRS will clearly identify any New Zealand modification from the IFRS.

- 27 The XRB Board is also committed to harmonising New Zealand and Australian accounting standards for Tier 1 for-profit entities<sup>8</sup>. Australia has also adopted IFRSs and the Australian Accounting Standards Board (AASB) has a parallel policy to New Zealand on adopting IFRSs for issue as equivalent domestic standards for Australian Tier 1 for-profit entities. Therefore, in most cases harmonisation will follow as the result of the respective policies on adopting IFRSs.

#### **Steps L-M**

- 28 The requirements in the standards for Tier 2 for-profit entities (NZ IFRS RDR) are not the same as those for Tier 1 for-profit entities. Tier 2 for-profit entities apply the same recognition and measurement requirements but may have disclosure concessions.
- 29 In developing the requirements for Tier 2 for-profit entities, the NZASB starts with Tier 1 for-profit requirements and considers whether any disclosure concessions are warranted. This is usually done in consultation with Australia to ensure that the requirements for Tier 2 for-profit entities are harmonised.
- 30 If the NZASB considers that disclosure concessions are warranted, it includes the Reduced Disclosure Regime (RDR) concessions in an ED or discussion document for Tier 2 for-profit entities, run as a separate due process (ideally, around the same time as the due process for developing the new/amended standards for Tier 1 entities) with the proposed RDR concessions clearly highlighted in the ED.
- 31 If the NZASB considers that no disclosure concessions are warranted, the requirements in the standards applicable to Tier 2 for-profit entities will be identical to the requirements applicable to Tier 1 for-profit entities.

#### **Steps N-P**

- 32 Once an IFRS has been issued by the IASB, or the New Zealand modification or RDR concessions are finalised for approval, the NZASB finalises the standard (or other pronouncement) for Tier 1 for-profit entities and Tier 2 for-profit entities and approves it for issue in accordance with the XRB's approval process and with the legislative process set out in the Financial Reporting Act 2013 (see section on **XRB approvals and legislative process**). Where appropriate, the NZASB may issue a feedback statement setting out the main matters raised by constituents, and the decisions made by the NZASB when finalising the standards.

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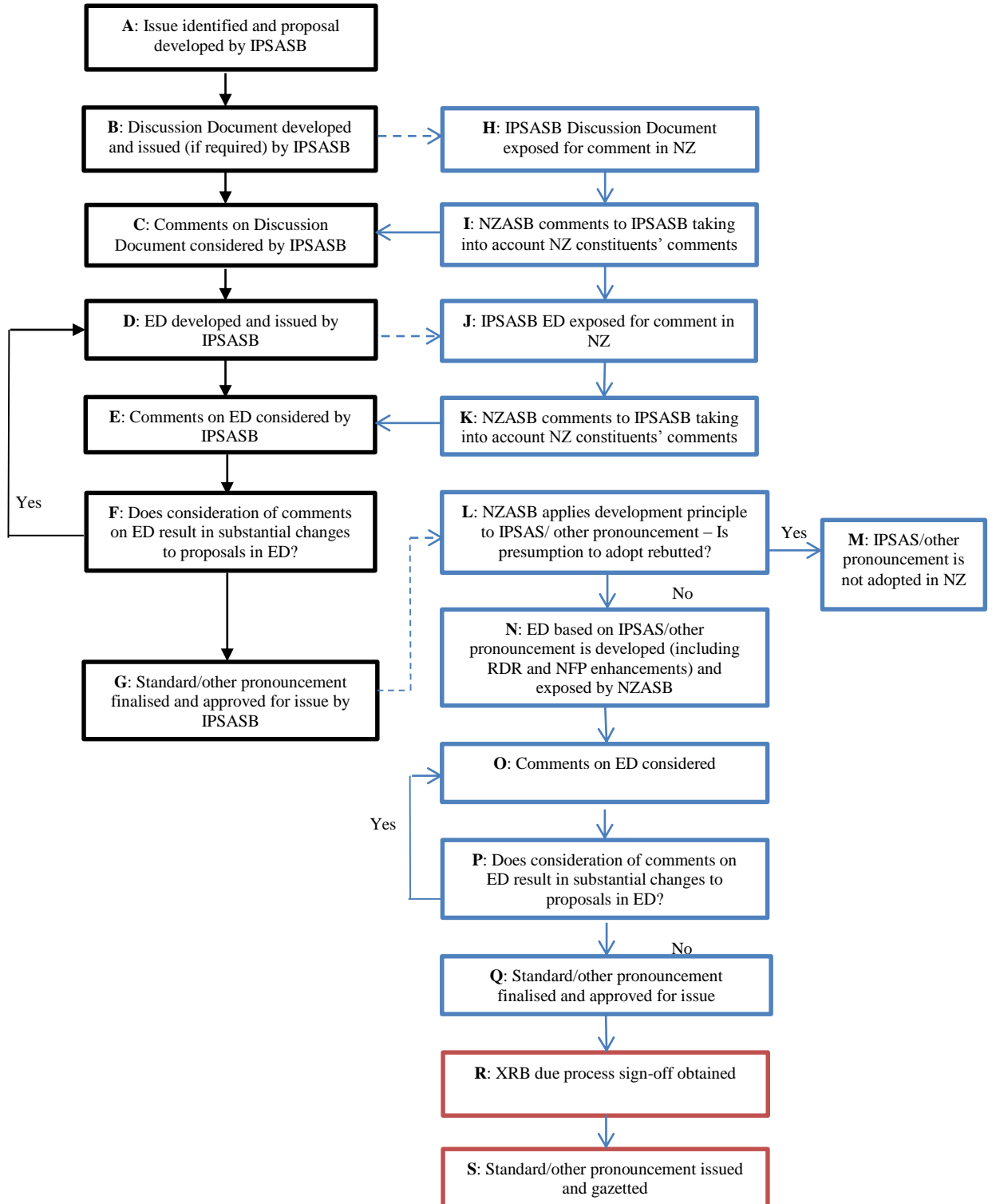
<sup>8</sup> In accordance with the Government's policy objectives, the XRB is committed to harmonised trans-Tasman standards for for-profit entities. This is reflected in the harmonised IFRS equivalents and also through cross appointments on the New Zealand and Australian standard setting bodies. In 2011, the New Zealand and Australian accounting standard setters established a harmonised set of equivalents to IFRSs, which are converged with IFRSs.



**Process 2: Process for PBE Accounting Standards based on IPSASB pronouncements**

33 The process the NZASB follows for developing and issuing PBE Accounting Standards based on IPSASB pronouncements is set out in Figure 2. This Figure should be read in conjunction with the commentary on Process 2. The steps in the commentary refer to the steps in Figure 2.

**Figure 2: Process for PBE Accounting Standards based on IPSASB pronouncements**



### **Steps A-G**

- 34 The process the NZASB follows in developing and issuing PBE Standards for Tier 1 PBEs based on IPSASB pronouncements<sup>9</sup> is linked to the IPSASB's international process for issuing IPSASs. Although the IPSASB's international due process is an important aspect of the overall standard setting process in New Zealand and is relied on by the NZASB, Process 2 focuses on the steps the NZASB takes when issuing pronouncements for PBEs based on IPSASB pronouncements. The IPSASB's due process is set out in the 2013 Handbook of International Public Sector Accounting Pronouncements (Volume 1)<sup>10</sup> and on its website<sup>11</sup>.

### **Steps H-K**

- 35 When the IPSASB issues a document (such as an ED or discussion document), the NZASB notifies interested parties that the IPSASB document has been issued and is available for comment in New Zealand. Where appropriate, forums are arranged by the NZASB or other arrangements made to enable further discussion and exchanges of opinion.
- 36 Anyone can send comments to the IPSASB on their documents. As the national standard setter, the NZASB sends comments to the IPSASB if it considers it appropriate to do so. Constituents can comment directly to the IPSASB or to the NZASB. If comments are made directly to the IPSASB, the NZASB appreciates receiving a copy so it can take the comments into account when developing its own comments to the IPSASB. The international part of the process ends when the IPSASB issues the IPSAS (or other pronouncement). Unless a constituent requests otherwise, their comments are included on the XRB's website. However, all comments the NZASB receives are subject to the Official Information Act 1982 and the Privacy Act 1993.

### **Steps L-P**

- 37 The NZASB aims to ensure that standards for Tier 1 PBEs and Tier 2 PBEs are coherent and complete sets of high quality standards that meet users' needs. The NZASB (in conjunction with the XRB Board) has developed the PBE Policy Approach to Developing the Suite of PBE Standards (PBE Policy Approach) to assist the NZASB when it considers developing and enhancing standards applied by Tier 1 and Tier 2 PBEs.
- 38 Prior to issuing a standard based on an IPSAS (or issuing any other IPSASB pronouncement) for Tier 1 PBEs, the NZASB applies the development principle in the PBE Policy Approach to the IPSAS (or other pronouncement). The rebuttable presumption in the development principle is that the NZASB will adopt a new or amended IPSAS. If the presumption is rebutted, the process ceases and the IPSAS (or other pronouncement) is not adopted in New Zealand. If the presumption is not rebutted, the NZASB develops and issues a domestic ED that includes any proposed changes to the IPSAS (or other pronouncement). These changes may include enhancements for not-for-profit entities and modifications to reflect New Zealand legislative requirements. The NZASB will usually also consider RDR concessions at this time and include them in the ED if these are warranted. Any proposed RDR concessions for Tier 2 PBEs will be clearly highlighted in the ED.
- 39 If the NZASB considers that no disclosure concessions are warranted, the requirements in the standards applicable to Tier 2 PBEs will be identical to those applicable to Tier 1 PBEs.
- 40 The ED may be accompanied by explanatory material that highlights the reason for the development of the proposed standard (or other pronouncement).
- 41 Interested parties are notified of the ED. Where appropriate, forums are arranged or other arrangements made to enable further discussion and exchanges of opinion.
- 42 The comment period can vary depending on the complexity of the topic, but is typically 90 days. Shorter comment periods will be used only for urgent or minor matters and will never be less than 30 days.
- 43 Constituents' comments are generally sought on the proposed requirements and the need for any further additional requirements. Constituents' comments are taken into account when finalising the

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<sup>9</sup> Other pronouncements issued by the IPSASB include the IPSASB's conceptual framework and amendments to its pronouncements.

<sup>10</sup> IPSASB's due process is set out in the sections The International Federation of Accountants' Role and the Terms of Reference: [http://www.ifac.org/sites/default/files/publications/files/Volume%201\\_0.pdf](http://www.ifac.org/sites/default/files/publications/files/Volume%201_0.pdf).

<sup>11</sup> <http://www.ifac.org/public-sector/about-ipsasb>.

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PBE Standard (or other pronouncement). Unless a constituent requests otherwise, their comments are included on the XRB's website. However, all comments the NZASB receives are subject to the Official Information Act 1982 and the Privacy Act 1993.

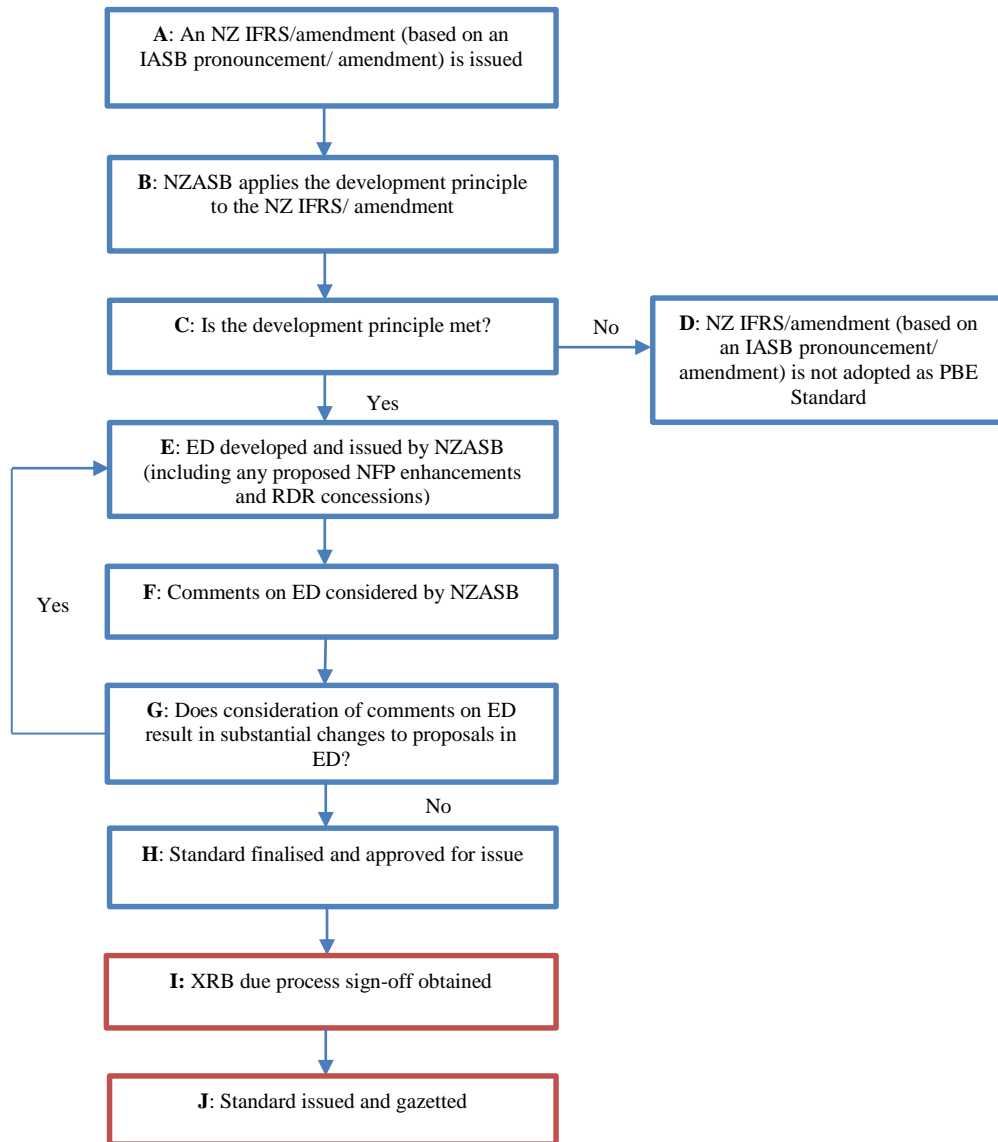
**Steps Q-S**

- 44 Following the comment period, and the NZASB considering the comments, the NZASB finalises the standard (or other pronouncement) for Tier 1 PBEs and Tier 2 PBEs and approves it for issue in accordance with the XRB's approval process and with the legislative process set out in the Financial Reporting Act 2013 (see section on **XRB approvals and legislative process**). Where appropriate, the NZASB may issue a feedback statement setting out the main matters raised by constituents, and the decisions made by the NZASB when finalising the pronouncement.

**Process 3: Process for PBE Accounting Standards based on IASB pronouncements**

45 The process the NZASB follows for developing and issuing PBE Accounting Standards based on IASB pronouncements is set out in Figure 3. This Figure should be read in conjunction with the commentary on Process 3. The steps in the commentary refer to the steps in Figure 3.

*Figure 3: Process for PBE Accounting Standards based on IASB pronouncements*



**Steps A-G**

46 When the IASB issues a standard (or other pronouncement) that is adopted, or is expected to be adopted, as a For-profit Accounting Standard, the NZASB applies the development principle in the PBE Policy Approach to consider whether the standard (or other pronouncement) should be included in PBE Standards for Tier 1 PBEs.

47 There are three instances where the NZASB considers whether to include an IASB standard (or other pronouncement) in PBE Standards:

- (a) when an NZ IFRS on a new topic (that is based on an IFRS) is issued;
- (b) when there is a change to an IASB pronouncement that has been used as a basis for an IPSAS by the IPSASB and that IPSAS is used as a basis for a PBE Standard; and

- (c) when there is a change to an NZ IFRS/NZ IAS/NZ IFRIC/NZ SIC that has been used by the NZASB as a basis for a PBE Standard.
- 48 The development principle requires the NZASB to consider:
- (a) whether a development will lead to higher quality financial reporting by PBEs (and groups); and
  - (b) whether the benefits of a potential development will outweigh the costs, considering as a minimum:
    - (i) relevance to the PBE sector as a whole;
    - (ii) relevance to the not-for-profit and public sector sub-sectors;
    - (iii) coherence of the set of PBE Standards;
    - (iv) the impact on mixed groups<sup>12</sup>; and
  - (c) the IPSASB's likely response to the issue of a new or amended IFRS.
- 49 If, in applying the development principle, the NZASB decides not to include the standard (or other pronouncement) issued by the IASB in the PBE Standards, the process ceases.
- 50 If the NZASB decides that a standard (or other pronouncement) issued by the IASB should be included in PBE Standards, it issues an ED of a proposed PBE Standard based on that IASB standard (or other pronouncement) that includes any proposed changes. These changes may include enhancements for not-for-profit entities and modifications to reflect New Zealand legislative requirements. The NZASB will usually also consider RDR concessions at this time and include them in the ED if these are warranted. Any proposed RDR concessions for Tier 2 PBEs will be clearly highlighted in the ED.
- 51 If the NZASB considers that no disclosure concessions are warranted, the requirements in the standards applicable to Tier 2 PBEs will be identical to those applicable to Tier 1 PBEs.
- 52 The ED may be accompanied by explanatory material that highlights the reason for the development of the proposed standard (or other pronouncement).
- 53 Interested parties are notified of the ED. Where appropriate, forums are arranged or other arrangements made to enable further discussion and exchanges of opinion.
- 54 The comment period can vary depending on the complexity of the topic, but is typically 90 days. Shorter comment periods are used only for urgent or minor matters and will never be less than 30 days.
- 55 Constituents' comments are generally sought on the proposed requirements and the need for any further additional requirements. Constituents' comments are taken into account when finalising the PBE Standard. Unless a constituent requests otherwise, their comments are included on the XRB's website. However, all comments the NZASB receives are subject to the Official Information Act 1982 and the Privacy Act 1993.

#### **Steps H-J**

- 56 Following the comment period, and the NZASB considering the comments (as applicable), the NZASB finalises the standard (or other pronouncement) for Tier 1 PBEs and for Tier 2 PBEs and approves it for issue in accordance with the XRB's approval process and with the legislative process set out in the Financial Reporting Act 2013 (see section on **XRB approvals and legislative process**). Where appropriate, the NZASB may issue a feedback statement setting out the main matters raised by constituents, and the decisions made by the NZASB when finalising the standard.

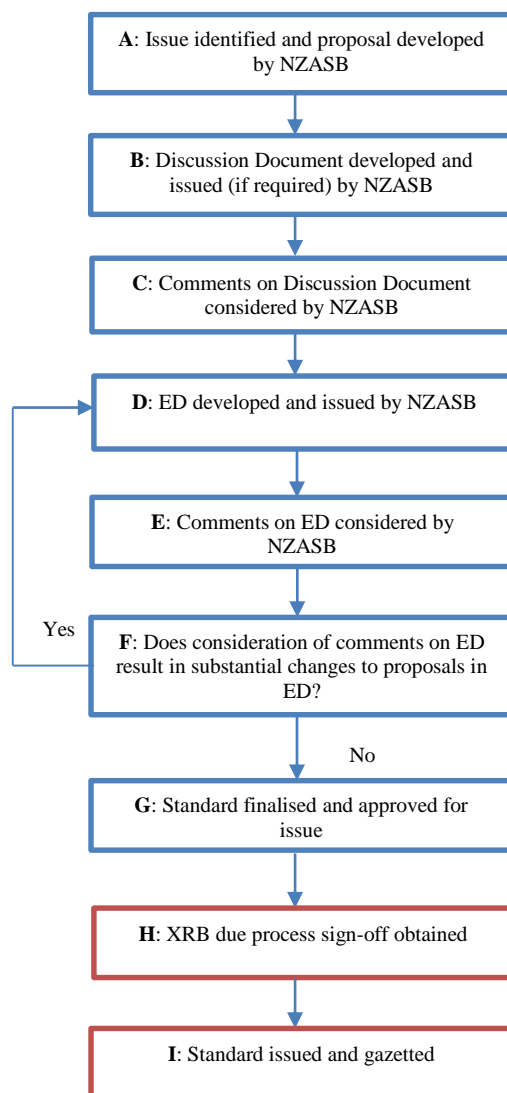
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<sup>12</sup> A mixed group is a PBE group that includes at least one material for-profit subsidiary where that for-profit subsidiary applies accounting policies that differ from those of the mixed group and that may need to be adjusted under the consolidation standards.

**Process 4: Process for domestic standards**

57 The process the NZASB follows for developing domestic standards is set out in Figure 4. This Figure should be read in conjunction with the commentary on Process 4. The steps in the commentary refer to the steps in Figure 4.

**Figure 4: Process for domestic standards**



**Steps A-F**

- 58 Domestic standards may be developed for inclusion in For-profit Accounting Standards or PBE Accounting Standards.
- 59 Domestic standards are included in For-profit Accounting Standards only if they do not affect a Tier 1 For-profit entity’s ability to assert compliance with IFRSs or a Tier 2 For-profit entity’s recognition and measurement requirements. Therefore, domestic standards either prescribe additional disclosures to those in For-profit Accounting Standards based on IASB pronouncements, for example, FRS-44 *New Zealand Additional Disclosures*, or cover topics that do not affect IFRS-compliant financial statements, for example, FRS-42 *Prospective Financial Statements*.
- 60 There are no similar constraints on domestic standards included in PBE Accounting Standards. Such standards include the Simple Format Reporting Standards (SFR Standards) that are issued for Tier 3 and Tier 4 PBEs.

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- 61 Domestic standards are developed when the NZASB identifies an issue or a gap in the For-profit Accounting Standards or PBE Accounting Standards. In developing domestic standards, constituents' views are sought on the need for, and content of, any proposed requirements. For some projects, the NZASB may issue a discussion document identifying matters that the NZASB is considering and options for addressing those matters.
- 62 For all proposed standards, the NZASB prepares an ED and accompanying explanatory material that highlights the reason for its development.
- 63 Interested parties are notified of the issue of all discussion documents and EDs. Where appropriate, forums are arranged or other arrangements made to enable further discussion and exchanges of opinion.
- 64 The comment period can vary depending on the complexity of the topic, but is typically 90 days. Shorter comment periods are used only for urgent or minor matters and will never be less than 30 days.
- 65 Constituents' comments are generally sought on the proposed requirements and the need for any further additional requirements. Constituents' comments are taken into account when finalising the domestic standard. Unless a constituent requests otherwise, their comments are included on the XRB's website. However, all comments the NZASB receives are subject to the Official Information Act 1982 and the Privacy Act 1993.

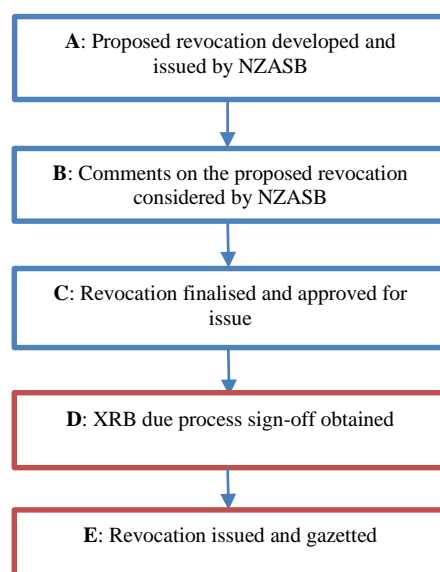
**Steps G-I**

- 66 Following the comment period, and the NZASB considering the comments, the NZASB finalises the standard and approves it for issue in accordance with the XRB's approval process and with the legislative process set out in the Financial Reporting Act 2013 (see section on **XRB approvals and legislative process**). Where appropriate, the NZASB may issue a feedback statement setting out the main matters raised by constituents, and the decisions made by the NZASB when finalising the standard.

### Process for revoking standards and authoritative notices

67 The process the NZASB follows for revoking standards and authoritative notices is set out in Figure 5.

**Figure 5: Process for revoking standards and authoritative notices**



#### **Steps A-B**

68 The Financial Reporting Act 2013 requires that the due process applying to the issue of standards and authoritative notices also applies to their revocation<sup>13</sup>. Before the NZASB revokes a standard or an authoritative notice in either sector, it must ensure that people or organisations likely to be affected have been adequately consulted.

69 The NZASB develops and issues the proposed revocation, including the reason for the revocation. Interested parties are notified of the issue of the proposed revocation. The comment period for the proposed revocation is typically 90 days.

70 Constituents' comments are generally sought on the proposed revocation, and those comments are taken into account when finalising the revocation. Unless a constituent requests otherwise, their comments are included on the XRB's website. However, all comments the NZASB receives are subject to the Official Information Act 1982 and the Privacy Act 1993.

#### **Steps C-E**

71 Following the comment period, and the NZASB considering the comments, the NZASB finalises the revocation and approves it for issue in accordance with the XRB's approval process and with the legislative process set out in the Financial Reporting Act 2013 (see section on XRB approvals and legislative process). Where appropriate, the NZASB may issue a feedback statement setting out the main matters raised by constituents, and the decisions made by the NZASB when finalising the revocation.

<sup>13</sup> It should be noted that a standard in either sector may be superseded when it is replaced with another standard. A separate consultation process is not undertaken for the superseded standard as its proposed supercedence is included in the consultation process for the proposed replacement standard.



### **XRB approvals and legislative process**

- 72 Before approving a standard, authoritative notice, amendment or revocation for issue in either sector, the NZASB needs to satisfy itself that reasonable steps have been taken to consult with people or organisations likely to be affected by their content.
- 73 The NZASB is required<sup>14</sup> to obtain a certificate signed by a member of the XRB Board (usually the Chair of the XRB Board), authorising the issue of the standard, authoritative notice, amendment or revocation.
- 74 Before signing a certificate, the member of the XRB Board checks that the standard, authoritative notice, amendment or revocation is consistent with the XRB Board's financial reporting strategy, that due process has been followed, and that matters raised by constituents have been adequately considered. In the case of a standard or authoritative notice that is based on an international pronouncement, this includes ensuring that the applicable international due process has been followed. This reflects the XRB Board's interest in ensuring due process is followed.
- 75 Following the signing of the certificate, the NZASB formally issues the standard, authoritative notice, amendment or revocation by public notification in the Gazette<sup>15</sup>, and sends a communiqué to interested parties.
- 76 In accordance with the provisions of the Financial Reporting Act 2013, all standards, authoritative notices, amendments and revocations issued are subject to the Legislation Act 2012. This means that these pronouncements are treated as disallowable instruments and must be presented to Parliament within 16 sitting days of the standard being gazetted<sup>16</sup>. Sections 42 and 43 of the Legislation Act 2012 set out the manner in which a disallowable instrument (or provisions of a disallowable instrument) may be disallowed.
- 77 A standard, authoritative notice, amendment or revocation takes effect on the 28<sup>th</sup> day after the date of its public notification in the Gazette. However, any of those documents may be treated as taking effect on its notification in the Gazette if the NZASB considers it necessary or desirable to do so<sup>17</sup> and advises so in the Gazette Notice.
- 78 The requirements of existing standards and authoritative notices that are affected by a new standard, authoritative notice, amendment or revocation remain in force until the mandatory application date of the new pronouncement. Subject to the requirements of the standard or authoritative notice, a new or revised or amended standard or authoritative notice may be applied in advance of its mandatory application date.

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<sup>14</sup> As required by section 26 of the Financial Reporting Act 2013.

<sup>15</sup> As required by section 24 of the Financial Reporting Act 2013.

<sup>16</sup> See section 25 of the Financial Reporting Act 2013.

<sup>17</sup> See section 27(2) of the Financial Reporting Act 2013.