

New Zealand Accounting Standards Board

**Minutes of the Meeting held on Wednesday 1 November 2017
at XRB Office, Level 7, 50 Manners St, Wellington, commencing at 9.15am**

Members present: Kimberley Crook
Todd Beardsworth
Nives Botica-Redmayne
Francis Caetano
Charles Hett
Lyn Hunt
Karl Hickey
Kris Peach
Richard Smyth

Apologies: Angela Ryan

In attendance: Anthony Heffernan – Director, Accounting Standards
David Bassett – Deputy Director, Accounting Standards
Tracey Crookston – Project Manager, Accounting Standards
Lisa Kelsey – Senior Project Manager, Accounting Standards
Aimy Luu Huynh – Senior Project Manager, Accounting Standards
(for agenda items 1–4 and 7)
Judith Pinny – Project Manager, Accounting Standards
Joanne Scott – Senior Project Manager, Accounting Standards
Vanessa Sealy-Fisher – Senior Project Manager, Accounting Standards

PUBLIC SESSION – AGENDA ITEMS 3 – 9

3. SERVICE PERFORMANCE REPORTING

The Board:

- (a) CONSIDERED the changes to the draft standard to incorporate feedback from the Board's September 2017 meeting (as discussed in agenda item 3.1 and identified in agenda item 3.2);
- (b) APPROVED for issue PBE FRS 48 *Service Performance Reporting* (agenda item 3.3), subject to the changes agreed at the meeting;
- (c) AGREED that the applicable due process steps have been completed (agenda item 3.4); and
- (d) APPROVED the signing memorandum from the Chair of the NZASB to the Chair of the XRB Board requesting approval to issue the standard (agenda item 3.5), subject to a further

check that all key points from the due process memo have been incorporated in the signing memorandum.

The Board agreed not to amend PBE FRS 42 *Prospective Financial Statements* as part of this project, but to broaden the description of the future project on PBE FRS 42 to include prospective service performance information.

The changes to the standard and signing memorandum will be reviewed by the Chair.

4. REVENUE AND NON-EXCHANGE EXPENSES

The Board:

- (a) CONSIDERED chapters 6–7 of the CP *Accounting for Revenue and Non-Exchange Expenses*; and
- (b) PROVIDED comments on Preliminary Views 5–9 and Specific Matter for Comment 7 of the CP for the purpose of providing direction for staff to draft the NZASB’s comment letter (agenda item 4.2).

The Board was presented with two enhanced diagrams of diagram 1 and diagram 2 from agenda item 4.2 (this was agenda item 4.1.1 as tabled at the meeting).

- (a) Diagram 1 – proposed non-exchange expense approaches in the CP.
- (b) Diagram 2 – proposed non-exchange expense approaches – staff views.

The Board:

- (a) DISCUSSED the Extended Obligor Event Approach as proposed in the CP, which is based on IPSAS 23 *Revenue from Non-Exchange Transactions (Taxes and Transfers)* reversed for non-exchange expenses. The Board noted the CP had not provided a conceptual basis for the recognition of an asset if there is a return condition;
- (b) AGREED that for the recognition of non-exchange expense, the first question to ask is when does an obligor event arise, which leads to the recognition of a liability. The guidance on an obligor event can be drawn from IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets* and the IPSASB’s *Conceptual Framework*. The second question is when should a corresponding expense or asset be recognised. The expense will be recognised when the entity no longer has control over resources.
- (c) NOTED that non-exchange expense transactions with enforceable performance obligations to transfer goods or services to the resource provider or beneficiaries could be accounted for using a simplified public sector performance obligations approach for expenses. Under this approach, in general, the expenses are recognised when the goods or services are transferred to beneficiaries;
- (d) NOTED that there are no significant conceptual differences between the transactions in ED 63 *Social Benefits* and universally accessible services, and collective services, and therefore the accounting for these expenses should be consistent;

- (e) NOTED that non-exchange expense transactions with no performance obligations but where there are stipulations over use could be accounted for under an obligating event approach. Under this approach, the resource recipient's stipulations over use could be disclosed by the resource provider either through a presentation option, or as other comprehensive revenue and expense with a recycling option; and
- (f) NOTED that the additional NZASB meeting set for Friday 24 November will be used to review the first draft of the comment letter on the CP.

5. IPSASB ED 62 FINANCIAL INSTRUMENTS

The Board PROVIDED FEEDBACK on the draft comment letter on ED 62.

The Board noted the concessionary loan application guidance and illustrative examples in ED 62 and agreed not to propose additional application guidance or illustrative examples.

The Board will consider submissions from constituents and a revised comment letter at its meeting in December.

6. FRS-42 PROSPECTIVE FINANCIAL STATEMENTS

The Board:

- (a) APPROVED ED NZASB 2017-3 *Proposed Amendments to the Scope of FRS-42* and the accompanying Invitation to Comment (agenda item 6.2);
- (b) AGREED to amend the introduction to the Invitation to Comment (and NZASB Basis for Conclusions (BC)4) to explain that recent legislative and regulatory changes provided the main impetus for amending FRS-42 as well as concerns received from constituents about its application in practice;
- (c) AGREED to include new paragraph 3A to encourage an entity to comply with the general principles and requirements in FRS-42 where the entity chooses, but is not required by legislation or regulation, to present prospective financial statements;
- (d) AGREED to delete the scope paragraphs (BC9-BC16) of the FRSB's Basis for Conclusions (BC) on FRS-42. The Board also AGREED to include new wording at the beginning of the FRSB's BC to clarify that the BC has not been revised by the NZASB. Instead paragraphs that are no longer relevant have been deleted to avoid the risk that they might be read out of context¹;
- (e) AGREED a comment period of 100 days ending on 28 February 2018; and
- (f) AGREED to an effective date for the amendments of annual periods beginning on or after 1 January 2019, with early application permitted.

¹ This is consistent with the IASB's treatment of the IASC's BCs on IAS 40 *Investment Property*.

7. 2017 OMNIBUS AMENDMENTS TO NZ IFRS

The Board:

- (a) AGREED to include the September 2017 editorial corrections issued by the International Accounting Standards Board (IASB) in the *2017 Omnibus Amendments to NZ IFRS*;
- (b) APPROVED for issue *2017 Omnibus Amendments to NZ IFRS* (agenda item 7.2); and
- (c) APPROVED the signing memorandum from the Chair of the NZASB to the Chair of the XRB Board requesting approval to issue the amending standard (agenda item 7.3).

8. PREPAYMENT FEATURES WITH NEGATIVE COMPENSATION (AMENDMENTS TO NZ IFRS 9)

The Board:

- (a) APPROVED for issue *Prepayment Features with Negative Compensation* (Amendments to NZ IFRS 9) (agenda item 8.2);
- (b) APPROVED the signing memorandum from the Chair of the NZASB to the Chair of the XRB Board requesting approval to issue the amending standard (agenda item 8.3); and
- (c) AGREED not to incorporate *Prepayment Features with Negative Compensation* into the suite of PBE Standards but to wait for the IPSASB to consider the incorporation of these amendments into International Public Sector Accounting Standards (agenda item 8.4).

9. UPDATED EG A8 AND EG A9

The Board APPROVED for issue the revised:

- (a) Explanatory Guide (EG) A8 *Financial Reporting by Not-for-profit Entities: The Reporting Entity*; and
- (b) EG A9 *Financial Reporting by Not-for-profit Entities: Identifying Relationships for Financial Reporting Purposes*.

The Board moved out of public session.