

PUBLIC BENEFIT ENTITY FINANCIAL REPORTING STANDARD 48 SERVICE PERFORMANCE REPORTING (PBE FRS 48)

Issued November 2017 and incorporates amendments to 31 January 2019

This Standard was issued on 9 November 2017 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This Standard is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on 7 December 2017.

Reporting entities that are subject to this Standard are required to apply it in accordance with the effective date in paragraph 48.

In finalising this Standard, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This Standard has been issued to establish requirements for service performance reporting by Tier 1 and Tier 2 public benefit entities.

PBE FRS 48 SERVICE PERFORMANCE REPORTING

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Public Benefit Entity Financial Reporting Standard 48 *Service Performance Reporting* is set out in paragraphs 1–48 and Appendix A. All the paragraphs have equal authority. PBE FRS 48 should be read in the context of its objective, the NZASB’s Basis for Conclusions on PBE FRS 48, the *Public Benefit Entities’ Conceptual Framework* and Standard XRB A1 *Application of the Accounting Standards Framework*. PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Introduction

Reasons for Issuing the Standard

- IN1 The New Zealand Accounting Standards Board (NZASB) has issued this Standard to establish requirements for the reporting of service performance information in order to better meet the needs of users of general purpose financial reports of public benefit entities. Public benefit entities have aims and objectives that relate to serving the community or society (or a section thereof). They seek to achieve these aims and objectives by using funds received from resource providers (for example, taxpayers, ratepayers, donors and grantors) to undertake activities for community or social benefit. Therefore, service performance information is an important part of their general purpose financial reports.
- IN2 Service performance information is information about what the entity has done during the reporting period in working towards its broader aims and objectives, together with supporting contextual information.
- IN3 This Standard establishes high-level requirements because:
- (a) Service performance reporting is an area of reporting that continues to evolve;
 - (b) Entities may be subject to a range of service performance reporting requirements, including legislative requirements and may use a variety of performance frameworks; and
 - (c) It provides flexibility for entities to determine how best to ‘tell their story’ in an appropriate and meaningful way.

Accountability and Decision Making

- IN4 The primary users of general purpose financial reports of public benefit entities are resource providers (for example, taxpayers, ratepayers, donors, grantors and lenders) and service recipients, and their representatives. Users of general purpose financial reports of public benefit entities rely on those reports for information that is useful for accountability and decision making. Financial statements provide some, but not all, of the information users require.
- IN5 Although the exact nature of users’ interests in an entity’s service performance information will be influenced by a number of factors (for example, the nature of an entity’s functions, the extent to which it can influence society or segments of society, and the nature of its agreements with funders and other entities) they generally have some common interests. They are generally interested in whether an entity has used funds for the purpose intended, what it has achieved with the resources available to it, and whether it could have done more with those resources. They may also be interested in forming judgements about what an entity could do with additional resources.

Main Features of the Standard

- IN6 This Standard establishes requirements for the selection and presentation of service performance information. It requires that an entity:
- (a) Present its service performance information and financial statements in the same general purpose financial report;
 - (b) Apply the qualitative characteristics of information and the pervasive constraints on information identified in the *Public Benefit Entities’ Conceptual Framework* (PBE Conceptual Framework). It states that application of the qualitative characteristics and appropriate balancing of the constraints on information results in service performance information that is appropriate and meaningful to the users of general purpose financial reports;
 - (c) Except as otherwise required by legislation, present service performance information for the same reporting entity and reporting period as the financial statements;
 - (d) Provide users with (i) sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this; and (ii) information about what the entity has done during the reporting period in working towards its broader aims and objectives;
 - (e) Disclose those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information reported in accordance with this standard that are relevant to an understanding of the entity’s service performance information;

- (f) Clearly identify the service performance information presented in accordance with the Standard; and
- (g) Provide comparative information.

IN7 These requirements draw upon the concepts in the PBE Conceptual Framework including the objective of general purpose financial reporting, the users of general purpose financial reports and their information needs, and the qualitative characteristics.

Objective

1. **The objective of this Standard is to establish principles and requirements for an entity to present service performance information that is useful for accountability and decision-making purposes in a general purpose financial report.**
2. Service performance information is information about what the entity has done during the reporting period in working towards its broader aims and objectives, together with supporting contextual information.

Scope

3. **This Standard applies to:**
 - (a) **All Tier 1 and Tier 2 not-for-profit public benefit entities; and**
 - (b) **Tier 1 and Tier 2 public sector public benefit entities required by legislation to provide information in respect of service performance in accordance with generally accepted accounting practice (GAAP). If an entity is required by legislation to report service performance information on only some of its activities, this Standard applies only to those activities.**
4. This Standard does not apply to service performance information that is condensed, prospective or summarised. PBE IAS 34 *Interim Financial Reporting*, and PBE FRS 43 *Summary Financial Statements* establish requirements for service performance information presented in general purpose financial reports that include interim financial statements and summary financial statements respectively. This Standard does not apply to other non-financial information presented in a general purpose financial report (for example, information about an entity's performance relating to its environmental goals or values), unless this information is directly linked to its service performance.
5. Nonetheless, application of the principles and requirements of this Standard to service performance information outside the scope of this Standard is encouraged to the extent applicable.

Principles

6. **An entity shall present service performance information that is useful for accountability and decision-making purposes in the same general purpose financial report as its financial statements. Presentation of service performance information together with financial statements enables users to make assessments of the entity's performance.**
7. **In selecting and presenting service performance information in a general purpose financial report an entity shall apply the qualitative characteristics of information and the pervasive constraints on information identified in the *Public Benefit Entities' Conceptual Framework* (PBE Conceptual Framework). Application of the qualitative characteristics and appropriate balancing of the constraints on information results in service performance information that is appropriate and meaningful to the users of general purpose financial reports.**
8. The qualitative characteristics of information included in general purpose financial reports are the attributes that make that information useful to users and support the achievement of the objectives of financial reporting. The qualitative characteristics identified in the PBE Conceptual Framework are relevance, faithful representation, understandability, timeliness, comparability, and verifiability. Each of the qualitative characteristics is integral to, and works with, the other characteristics to provide information useful for achieving the objectives of financial reporting in general purpose financial reports. However, in practice, all qualitative characteristics may not be fully achieved, and a balance or trade-off between certain of them may be necessary. An entity considers the needs of users and the objectives of financial reporting in the application of the qualitative characteristics to service performance information.

9. When applying the qualitative characteristics to service performance information the following are important:
- (a) **Relevance:** Relevance is particularly important in selecting and aggregating service performance information. Relevance is strongly linked with judgements about the materiality¹ of information and the appropriate level of aggregation of information. Relevant information assists users in forming assessments about an entity's accountability for service performance and in making decisions that rely on information about service performance (for example, whether to provide funding to an entity or whether to work with an entity in the pursuit of common goals). Relevance should be applied in considering what, and how much, to report on service performance. Relevance and understandability should be considered together because both the amount of information and the level of detail presented can affect understandability.
 - (b) **Faithful Representation:** To be useful, service performance information must be a faithful representation of the entity's service performance. Faithful representation is attained when the service performance information is complete, neutral, and free from material error. Completeness implies that the service performance information presents an overall impression of the entity's service performance with appropriate links to financial information. Neutrality is the absence of bias. For service performance information to be neutral it needs to report on both favourable and unfavourable aspects of the entity's service performance in an unbiased manner. Free from material error means that there are no errors or omissions that are individually or collectively material in the service performance information.
 - (c) **Understandability:** Service performance information should be communicated to users simply and clearly. The amount of information presented affects understandability.
 - (d) **Timeliness:** Service performance information should be reported to users before it loses its capacity to be useful for accountability and decision-making purposes.
 - (e) **Comparability:** Service performance information should provide users with a basis and context to compare an entity's service performance over time, and where appropriate, against planned performance or the performance of other entities.
 - (f) **Verifiability:** This is the quality of information that helps assure users that service performance information faithfully represents the entity's service performance. To be verifiable, service performance information needs to be capable of measurement or description in a consistent manner, be capable of independent verification and exclude unsubstantiated claims. The verifiability of service performance information is enhanced when the assumptions underlying the information are explicit, the methods adopted in compiling that information and the factors and circumstances that support any opinions expressed or disclosures made are transparent. This enables users to form judgements about the appropriateness of those assumptions and the method of compilation, measurement, representation and interpretation of the information.
10. The pervasive constraints on information identified in the PBE Conceptual Framework are materiality, cost-benefit and balance between the qualitative characteristics. All of these constraints are important for selecting information in service performance reports and the level of detail that is provided.

Information to be Reported

Reporting Entity and Reporting Period

11. **Except as otherwise required by legislation, an entity shall present service performance information for the same reporting entity and reporting period as the financial statements.**
12. The reporting entity and reporting period concepts are relevant for both financial statements and service performance reporting. This Standard discusses some additional factors that need to be considered when applying these concepts to service performance information.
13. If the reporting entity is an economic entity comprising a controlling entity and controlled entities then service performance is reported in respect of that entire economic entity. If the reporting entity is a single

¹ Refer to paragraphs 46A.1 and 46A.2 of PBE IPSAS 1 *Presentation of Financial Reports* for guidance on making judgements about materiality in relation to service performance information.

entity, then service performance is reported in respect of that single entity. Where legislation or regulation requires service performance information to be prepared for a reporting entity that differs from the reporting entity for which historical general purpose financial statements are presented, an entity is compelled to comply with such legislation or regulation.

14. This Standard establishes requirements for reporting on an entity's service performance for a reporting period. However, public benefit entities often have long-term service performance objectives. Judgement is required in deciding how much information to provide about the entity's service performance in the current reporting period and how much information to provide about progress towards its long-term objectives. In reporting on its current period's service performance an entity is likely to need to provide information that relates to previous periods or future periods (such as trend data) to provide context.

Service Performance Information

15. **An entity's service performance information shall:**
 - (a) **Provide users with sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this; and**
 - (b) **Provide users with information about what the entity has done during the reporting period in working towards its broader aims and objectives, as described in (a) above.**
16. Paragraph 15 establishes requirements about the service performance information to be reported. Presentation of service performance information is discussed in paragraphs 29 to 35.
17. Paragraph 15(a) requires contextual information about why an entity exists, what it intends to achieve and how it goes about this. This information should be drawn from relevant documents such as founding documents, governance documents, accountability documents and planning documents. For example, a not-for-profit entity would consider documents such as its constitution, trust deed, mission statement (vision, purpose) and its most recent plans and strategies. If an entity uses a performance framework, theory of change or intervention logic at its highest level of management or in the governance of the entity, the contextual information should also draw upon that performance framework, theory of change or intervention logic. For example, a local authority's Long-Term Plan provides a meaningful performance framework for its activities.
18. In providing the contextual information required by paragraph 15(a), an entity shall explain the main ways in which it carries out its service performance activities. For example:
 - (a) Delivering goods and services directly to individuals, entities or groups (including members);
 - (b) Working together with other entities that share common objectives;
 - (c) Contracting with other entities to deliver goods and services on their behalf; or
 - (d) Making grants to other individuals or entities.
19. The nature of the information that an entity provides to meet the requirements of paragraph 15(b) will depend on the circumstances of the entity. An entity shall consider all of the following factors in deciding what to report.
 - (a) *What it is accountable/responsible for.* Some entities have responsibility for working towards particular improvements in the health, education, welfare and/or social or economic well-being of individuals or a segment of society. For example, a public sector entity may be required to target its resources to reduce disparity in educational achievement between different groups in society. In this case, the entity's service performance information is likely to focus on whether and the extent to which those particular improvements occurred. In other cases, entities are primarily responsible for the delivery of specific types and/or volume of goods or services to a target population, rather than trying to bring about particular improvements in the health, education, welfare and/or social or economic well-being of the recipients of those goods and services. For example, an entity may be required to provide support services to elderly people in a city. In that case, the entity's service performance information is likely to focus on the delivery of the specified goods or services. Even in cases where an entity determines the nature and extent of its service performance itself, it will need to consider the nature of its accountability to funders and service recipients.

- (b) *What it intended to achieve during the reporting period.* The information that an entity provides about its planned performance will be influenced by how much information the entity has previously published about its planned performance. If a not-for-profit entity has identified specific performance goals or targets when obtaining funding from other parties, its service performance information is likely to focus on reporting whether, and/or the extent to which, it met those goals or targets. If a not-for-profit entity has been working towards general service performance objectives for the reporting period (for example, a planned increase in the range or volume of goods or services provided or a planned improvement in the entity's effect on a target population) rather than specific service performance goals or targets, its service performance information is likely to focus on reporting whether, and/or the extent to which, it made progress in relation to those general objectives. Public sector entities are often required to publish information about planned performance in planning documents. In such cases this Standard requires comparisons between actual and planned performance (see paragraph 37).
- (c) *How it went about achieving its service performance objectives.* If an entity delivers goods and services in conjunction with another entity or collaborates with another entity in seeking to achieve its service performance objectives and goals, it needs to consider the most appropriate and meaningful way of reporting on its service performance. If an entity has agreed to deliver goods and services and then contracts with another entity to deliver those goods and services on its behalf, the first entity generally remains accountable for reporting on the delivery of those goods and services. If an entity makes grants to other entities to be used by those entities in delivering goods and services, the entity needs to exercise judgement in deciding whether to report solely on its funding activities or to include information about the goods and services provided by those other entities. In the public sector a department may administer an appropriation used by another department or it may use an appropriation administered by another department. The information a department includes in its service performance information will reflect which department has responsibility for reporting on such appropriations.
- (d) *Other factors* relevant to an understanding of its service performance during the period, such as the links between its financial statements and service performance information and/or external social, legal or economic factors (for example, changes in funding levels that affect its service performance).

Performance Measures and/or Descriptions

20. **In reporting on what an entity has done during the reporting period an entity shall provide users with an appropriate and meaningful mix of performance measures and/or descriptions for the reporting period. The performance measures and/or descriptions used by an entity to communicate its service performance may be:**
 - (a) **Quantitative measures: Examples of quantitative measures are the quantity of goods and services, the cost of goods and services, the time taken to provide goods and services, levels of satisfaction using a rating scale on a questionnaire or survey, and numerical measures for service performance objectives or goals;**
 - (b) **Qualitative measures: Examples of qualitative measures are descriptors such as compliance or non-compliance with a quality standard, ratings such as high, medium or low, or ratings assigned by experts; or**
 - (c) **Qualitative descriptions: Examples of qualitative descriptions are those based on participant observations, open-ended questions on interviews and surveys and case studies. For example, how did an entity's service performance activities change the well-being and circumstances of a client group?**
21. An entity shall exercise judgement to select an appropriate and meaningful mix of performance measures and/or descriptions so as to provide users of its general purpose financial report with sufficient, but not excessive, information about its service performance for the period. In determining the type and extent of information to provide, the entity considers a balance between providing:
 - (a) Enough information to provide users with an overall picture of its service performance for the period; and
 - (b) Not so much information that it could obscure the overall picture.

22. In selecting the performance measures and/or descriptions to be reported an entity shall consider the qualitative characteristics and the pervasive constraints on information in general purpose financial reports. Judgement is needed to determine the most appropriate and meaningful performance measures and/or descriptions to be reported. The most appropriate and meaningful performance measures and/or descriptions are those that measure or describe aspects of performance that are of particular value or importance for accountability or decision-making purposes. The qualitative characteristics may also influence the data collection and compilation methods used by an entity.
23. In general, performance measures and/or descriptions shall have an external focus. However, this does not preclude an entity from providing information on internal activities, processes, plans or policies if it considers that this information provides important context for its service performance.
24. Performance measures and/or descriptions may be used to inform assessments of efficiency and effectiveness or they may attempt to provide information directly on an entity's efficiency and effectiveness in relation to its service performance.
25. Performance measures and/or descriptions may be used to inform assessments of the broad or longer-term effects of a project or an entity's work (also referred to as the difference the entity makes) on individuals who are direct recipients of a project or an entity's work, effects on those who are not direct recipients, or effects on society or subgroups of society. Examples of broad or longer-term effects include changes to these individuals' and groups' educational achievements or health, or changes to groups' or societal poverty or crime levels.
26. Performance measures and/or descriptions are more useful when they are accompanied by comparisons (for example, comparisons over time (trend data), comparisons by population or provider subgroups, international comparisons and comparisons against a target or standard).
27. If an entity determines that reporting on goods and services delivered provides appropriate and meaningful service performance information, performance measures and/or descriptions for goods and services may include:
 - (a) The quantity of the goods and services;
 - (b) The quality of the goods and services;
 - (c) The timeframe over which the goods and services were produced;
 - (d) The physical location where the goods and services were delivered; and
 - (e) The cost of the goods and services (see paragraph 28).
28. In reporting on the cost of goods and services there are some important considerations. Financial statements and service performance information are both important components of a public benefit entity's general purpose financial report. The service performance information needs to be linked to the financial statements to convey a coherent picture about the performance of an entity. This link is generally made, where practicable and appropriate, by reporting on the cost of goods and services. An entity reporting on the cost of goods and services shall provide a reconciliation between the expenses in the financial statements and the total goods and services costs reported in the service performance information and, where appropriate, an acknowledgement of the use of donated goods or services which have not been recognised in the financial statements (PBE IPSAS 23 *Revenue from Non-Exchange Transactions* establishes requirements for the recognition of donated goods and services in the financial statements). In some cases, for example where an entity relies heavily on donated goods and services, information on how donated resources have contributed to the entity's service performance may be more useful than cost information in providing an overall picture of the entity's performance.

Presentation

29. **An entity shall clearly identify the service performance information presented in accordance with this Standard.**
30. An entity may find it helpful to present the information required by this Standard as answers to questions such as Who are we?, Why do we exist?, What did we do? and How did we perform?

31. This Standard does not prescribe the format of service performance information. Entities develop a format that best meets the information needs of their users. Information may, for example, be presented in the form of graphs, tables, narrative, infographics, explanatory comments in ‘pop-up’ boxes or similar.
32. An entity may cross-reference the service performance information and the financial statements so that users can assess the service performance information within the context of the financial statements.
33. In presenting service performance information in accordance with this Standard an entity may incorporate, by cross-reference, information outside the general purpose financial report. The use of cross-referencing is permitted subject to the following requirements.
 - (a) It is still possible to identify the complete set of service performance information presented in accordance with this Standard.
 - (b) Locating the information elsewhere enhances the understandability of the general purpose financial report as a whole and the service performance information remains understandable and fairly presented.
 - (c) The cross-referenced information is available to users of the service performance information on the same terms as the general purpose financial report and at the same time.
34. Incorporating service performance information by cross-reference enhances the understandability of the service performance information if it:
 - (a) Links related information together so that the relationships between items of information are clear; and/or
 - (b) Reduces duplication of information.
35. If an entity applies cross-referencing in accordance with paragraph 33, it shall:
 - (a) Disclose, together with the statement of compliance in accordance with paragraph 28 of PBE IPSAS 1 *Presentation of Financial Reports*, a list of cross-referenced information that forms part of a complete set of service performance information in accordance with this Standard;
 - (b) Depict cross-referenced information as being information prepared in accordance with this Standard (and audited if applicable);
 - (c) Make the cross-referencing direct and precise as to what it relates to; and
 - (d) Ensure cross-referenced information remains unchanged and available over time at the cross-referenced location.

Comparative Information and Consistency of Reporting

36. Service performance information should provide users with a basis and context to compare an entity’s service performance over time, and where appropriate, against planned performance or the performance of other entities. Consistency of reporting aids comparability and this Standard establishes requirements for consistent reporting. However, an entity’s service performance activities and performance measures and/or descriptions may change over time. This Standard requires that an entity provide information about those changes.
37. **An entity shall report comparative information in respect of the preceding period. An entity may also be required by legislation, or may elect, to report comparative information in respect of previously published prospective service performance information. An entity shall report comparative information for all amounts reported in the current period and, where relevant, for the narrative and descriptive information reported in the current period. Explanations for major variances shall be given.**
38. Comparative information shall be included for those performance measures and/or descriptions for which an amount is reported in the current period. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period’s service performance information. Judgement is required in deciding when to provide comparative narrative and descriptive information.

39. An entity reporting against previously published prospective service performance information shall consider whether original levels of planned activity or revised plans provide the most relevant and useful information. Information about revisions to plans during the period may help explain variances between original plans and actual results.
40. **An entity shall report service performance information consistently. If an entity changes what it reports or how it reports its service performance information, it shall explain the nature of those changes and their effect on the current period's service performance information.**
41. There are a number of reasons why an entity might change what it reports or how it reports its service performance information. Possible reasons include changes in:
 - (a) The nature of the entity's activities from the prior period or from what was planned;
 - (b) The descriptions of goods and services or the way in which they are aggregated;
 - (c) The performance measures and/or descriptions used; and
 - (d) The costing policies.
42. Changes to comparative information are permitted, but not required. If an entity chooses to restate comparatives it discloses the effect of the changes on that comparative information.
43. **An entity shall correct material prior period errors, in the first service performance information authorised for issue after the discovery of the errors, by restating the comparative information for any prior period(s) presented in which the error occurred and disclosing an explanation of the error. If the error relates solely to narrative information, an explanation of the error shall be disclosed.**

Disclosure of Judgements

44. **An entity shall disclose those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information reported in accordance with this Standard that are relevant to an understanding of the entity's service performance information.**
45. In applying the principles in this Standard an entity will need to make a number of judgements, such as those discussed in paragraphs 19, 21 and 22. These judgements reflect the entity's consideration of its specific facts and circumstances, including the information needs of its primary users. An entity therefore needs to identify those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information and consider their relevance to a user's understanding of the entity's service performance information.
46. In deciding what judgements to disclose in accordance with paragraph 44, an entity considers:
 - (a) The extent to which the entity's service performance information is consistent with and clearly linked to the entity's overall purpose and strategies. If it is not, users may need to understand why not.
 - (b) The extent to which the entity's service performance information reported is consistent with that used by the entity for internal decision making. If it is not, users may need to understand why not.
 - (c) How much discretion the entity has over the selection, measurement aggregation and presentation of service performance information. The more discretion the entity has over what it reports, the more users are likely to be interested in the entity's judgements. In situations where there is significant judgement involved, such disclosures shall include the key factors (see paragraph 19) that formed the basis of those judgements. In some cases an entity's service performance information might be largely determined by external requirements or agreements with external parties. In other cases an entity's service performance information may be largely determined internally, or it may be based upon a combination of internal determinations and external contractual determinations or frameworks. In all cases, information about the level of discretion that an entity has, and the judgements it has made, would be relevant to users seeking to understand the entity's service performance information.
 - (d) The extent to which the application of the qualitative characteristics and pervasive constraints on information (see paragraph 10) has influenced its service performance information.

- (e) The extent to which consultation with users influenced the reporting of service performance information.
 - (f) The judgements made in deciding when to provide comparative narrative and descriptive information.
 - (g) The judgements made about methods used in the selection, measurement, aggregation and presentation of performance measures and/or descriptions.
47. An entity may cross-reference to other documents such as statements of intent or performance frameworks in disclosing information about judgements.

Effective Date

48. **A public benefit entity shall apply this Standard for annual financial reports covering periods beginning on or after 1 January 2021. Earlier application is permitted.**

Amendments to Other Standards

An entity shall apply the amendments in this appendix when it applies PBE FRS 48.

The amendments to other standards in this appendix are based on the text of those other standards, including any amendments to those standards approved when PBE FRS 48 was issued in November 2017.

Amended paragraphs are shown with deleted text struck through and new text is underlined.

Generic amendments to PBE Standards (as a consequence of changing the title of PBE IPSAS 1)

The title of PBE IPSAS 1 is changed from *Presentation of Financial Statements* to *Presentation of Financial Reports* in the following standards. Other generic amendments are as described below.

Standard		Paragraph(s) amended
PBE IPSAS 2	<i>Cash Flow Statements</i>	Paragraph 57
PBE IPSAS 3	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	Paragraph 2 Paragraph 38, footnote
PBE IPSAS 4	<i>The Effects of Changes in Foreign Exchange Rates</i>	Paragraph 57
PBE IPSAS 5	<i>Borrowing Costs</i>	Paragraph 19, footnote
PBE IPSAS 9	<i>Revenue from Exchange Transactions</i>	Objective, footnote
PBE IPSAS 10	<i>Financial Reporting in Hyperinflationary Economies</i>	Paragraph 11
PBE IPSAS 11	<i>Construction Contracts</i>	Paragraph 16, footnote
PBE IPSAS 12	<i>Inventories</i>	Paragraph 16, footnote
PBE IPSAS 13	<i>Leases</i>	Paragraph 21, footnote Paragraph 78
PBE IPSAS 14	<i>Events After the Reporting Date</i>	Paragraph 16
PBE IPSAS 16	<i>Investment Property</i>	Paragraph 20, footnote
PBE IPSAS 17	<i>Property, Plant and Equipment</i>	Paragraph 14, footnote
PBE IPSAS 19	<i>Provisions, Contingent Liabilities and Contingent Assets</i>	Paragraph 19, footnote Paragraph A4
PBE IPSAS 20	<i>Related Party Disclosures</i>	Paragraph 22 Paragraph 38, footnote
PBE IPSAS 21	<i>Impairment of Non-Cash-Generating Assets</i>	Paragraph 37, footnote
PBE IPSAS 22	<i>Disclosure of Financial Information about the General Government Sector</i>	Paragraph 36
PBE IPSAS 23	<i>Revenue from Non-Exchange Transactions</i>	Paragraph 30, Paragraph 31, footnote Paragraph B9 Also, in paragraph B9 the reference to

Standard		Paragraph(s) amended
		'financial statements' is changed to 'financial report'.
PBE IPSAS 25	<i>Employee Benefits</i>	Paragraph 20, footnote. Paragraph 26. Paragraph IE 6.
PBE IPSAS 26	<i>Impairment of Cash-Generating Assets</i>	Paragraph 33, footnote.
PBE IPSAS 27	<i>Agriculture</i>	Paragraph 13, footnote. Paragraph 51.
PBE IPSAS 28	<i>Financial Instruments: Presentation</i>	Paragraph 39, insert the title of PBE IPSAS 1. Paragraph AG53, insert the title of PBE IPSAS 1.
PBE IPSAS 29	<i>Financial Instruments: Recognition and Measurement</i>	Paragraph 10, footnote. Paragraph 64.
PBE IPSAS 30	<i>Financial Instruments: Disclosures</i>	Paragraph 25, insert the title of PBE IPSAS 1. Paragraph 35, footnote. In the final sentence of paragraph AG5, the reference to 'financial statements' is changed to 'financial report'. In paragraph IG 3 the reference to 'financial statements' is changed to 'financial statements or service performance information'.
PBE IPSAS 31	<i>Intangible Assets</i>	Paragraph 28, footnote.
PBE IPSAS 32	<i>Service Concession Arrangements: Grantor</i>	Paragraph 31. Paragraph AG 20, footnote. Paragraph AG49
PBE IPSAS 36	<i>Investments in Associates and Joint Ventures</i>	Paragraph 4, footnote. Paragraph 16.
PBE IPSAS 39	<i>Employee Benefits</i>	Paragraph 25.
PBE IFRS 3	<i>Business Combinations</i>	Paragraph 22, footnote.
PBE IFRS 4	<i>Insurance Contracts</i>	Paragraph 20, footnote. Paragraph 34. Paragraph C17.5.4.
PBE IFRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i>	Paragraph 3. Add footnote to title of PBE IPSAS 1 in paragraph BC6: "PBE FRS 48 <i>Service Performance Reporting</i> , issued in November 2017, changed the title of PBE IPSAS 1 to <i>Presentation of Financial Reports</i> ."
PBE IFRS 9	<i>Financial Instruments</i>	Paragraph 5.6.5.

Standard		Paragraph(s) amended
PBE IAS 12	<i>Income Taxes</i>	Paragraph 14, footnote. Paragraph 81(ab), insert title of PBE IPSAS 1.
PBE FRS 42	<i>Prospective Financial Statements</i>	Paragraph 45. Paragraph 60, delete the title of PBE IPSAS 1.
PBE FRS 46	<i>First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRS</i>	Paragraph 18. Also, in paragraphs 18 and 20 the references to 'financial statements' are changed to 'financial report'. Appendix A, paragraph 8, footnote.
PBE FRS 47	<i>First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRS</i>	Paragraph 28. Appendix C, paragraph C4, footnote.
XRB A1	<i>Application of the Accounting Standards Framework</i>	Appendix C.

PBE IPSAS 1 Presentation of Financial Reports Statements

The title of PBE IPSAS 1 is changed from *Presentation of Financial Statements* to *Presentation of Financial Reports*. This change is made throughout the Standard.

Paragraphs 1–3, 7, 15–19, 21, 24.1, 25–28.2, 28.4, 29, 31–33, 35–36, 38–39, 41–45, 46A, 47, 53–54, 59–66, 68–69, 78, 83, 85, 87, 116.1, 127–129, 131–134, 137–138, 144, 148A, 148C, 148.3 and 149–150 are amended. The headings above paragraphs 15, 19, 20.1, 61 and 148.1 are amended.

Paragraphs 20.1, 46A.1, 46A.2, 55.1, 126.1 (and a heading above that paragraph) and 154.10 are added.

Paragraphs 7.1 and 150.1–150.10 (and the related heading), are deleted.

Appendix C is withdrawn.

New text is underlined and deleted text is struck through.

Objective

1. The objective of this Standard is to prescribe the manner in which general purpose financial reports, comprising financial statements and, where required, service performance information,¹ should be presented to ensure comparability both with the entity's financial ~~statements~~ reports of previous periods and with the financial ~~statements~~ reports of other entities. To achieve this objective, this Standard sets out overall considerations for the presentation of financial ~~statements~~ reports, guidance for their structure, and minimum requirements for the content of financial ~~statements~~ reports. The recognition, measurement, and disclosure of specific transactions and other events are dealt with in other PBE Standards.

¹ Reporting service performance information alongside the financial statements provides a comprehensive picture of an entity's activities during the period. PBE FRS 48 *Service Performance Reporting* specifies which entities are required to report service performance information in accordance with that Standard.

Scope

2. This Standard shall be applied to all general purpose financial ~~statements~~ reports prepared and presented in accordance with PBE Standards.

3. General purpose financial ~~statements reports~~ are those intended to meet the needs of users who are not in a position to demand reports tailored to meet their particular information needs. Users of general purpose financial ~~statements reports~~ include taxpayers and ratepayers, members of the legislature, donors, service recipients, creditors, suppliers, the media, and employees. General purpose financial ~~statements reports~~ include those that are presented separately or within another public document, such as an annual report. This Standard does not apply to condensed interim financial information (see PBE IAS 34 *Interim Financial Reporting*), prospective financial information (see PBE FRS 42 *Prospective Financial Statements*), or summary financial information (see PBE FRS 43 *Summary Financial Statements*).

...

Definitions

7. The following terms are used in this Standard with the meanings specified:

Material Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements or service performance information. Materiality depends on the nature and size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Notes contain information in addition to that presented in the statement of financial position, statement(s) of comprehensive revenue and expense, statement of changes in net assets/equity, and cash flow statement, and service performance information. Notes provide narrative descriptions or disaggregations of items disclosed in those statements and information about items that do not qualify for recognition in those statements.

- 7.1 [Deleted by NZASB] ~~The following terms are used in this Standard with the meaning specified:~~

~~**Inputs are the resources used to produce the goods and services which are the outputs of the entity.**~~

~~**Outcomes are the impacts on, or consequences for, the community resulting from the existence and operations of the entity.**~~

~~**Outputs are the goods and services produced by the entity.**~~

Purpose of Financial Statements ~~Reports~~

15. Financial ~~statements reports~~ are a structured representation of the financial position, ~~and~~ financial performance and service performance of an entity. The objectives of a general purpose financial ~~statements report~~ are to provide information about the financial position, financial performance, ~~and~~ cash flows, and service performance of an entity that is useful to a wide range of users in making and evaluating decisions about the allocation of resources. Specifically, the objectives of general purpose financial reporting should be to provide information useful for decision making, and to demonstrate the accountability of the entity for the resources entrusted to it, by:

- (a) Providing information about the sources, allocation, and uses of financial resources;
- (b) Providing information about how the entity financed its activities and met its cash requirements;
- (c) Providing information that is useful in evaluating the entity's ability to finance its activities and to meet its liabilities and commitments;
- (d) Providing information about the financial condition of the entity and changes in it; and
- (e) Providing aggregate information useful in evaluating the entity's performance in terms of service delivery, costs, efficiency, and accomplishments.

16. General purpose financial ~~statements reports~~ can also have a predictive or prospective role, providing information useful in predicting the level of resources required for continued operations, the resources that may be generated by continued operations, and the associated risks and uncertainties. Financial reporting may also provide users with information:

...

17. To meet these objectives, ~~the a~~ financial ~~statements report~~ provides information about an entity's:

- (a) Assets;

- (b) Liabilities;
- (c) Net assets/equity;
- (d) Revenue;
- (e) Expenses;
- (f) Other changes in net assets/equity; ~~and~~
- (g) Cash flows; and
- (h) Where required, service performance.

18. Although the information contained in financial statements can be relevant for the purpose of meeting the objectives in paragraph 15, it is unlikely to enable all these objectives to be met. This is likely to be particularly so in respect of entities whose primary objective may not be to make a profit, as managers are likely to be accountable for the achievement of service delivery as well as financial objectives. ~~Supplementary information, including non financial statements, may be reported alongside the financial statements in order to provide a more comprehensive picture of the entity's activities during the period.~~

Responsibility for Financial Statements Reports

19. The responsibility for the preparation and presentation of financial ~~statements~~ reports varies across entities. In addition, an entity may draw a distinction between who is responsible for preparing the financial ~~statements~~ report and who is responsible for approving or presenting the financial ~~statements~~ report. Examples of people or positions who may be responsible for the preparation of the financial ~~statements~~ report of individual entities (such as government departments or their equivalent) include the individual who heads the entity (the permanent head or chief executive) and the head of the central finance agency (or the senior finance official, such as the controller or accountant-general). Examples of people or positions who may be responsible for the preparation of the financial ~~statements~~ report in the not-for-profit sector would be the chief executive officer, the Chairperson, the chief financial officer or the treasurer of the entity, who could be either employees or volunteers. Regardless of who prepares the financial ~~statements~~ report, the governing body is usually responsible for presenting ~~those~~ the financial ~~statements~~ report.

...

Components of Financial Statements Reports

20.1 A complete financial report comprises:

- (a) **A complete set of financial statements; and**
- (b) **Service performance information in accordance with PBE FRS 48 *Service Performance Reporting*, where this is required to be reported.**

21. **A complete set of financial statements comprises:**

...

- (f) **Notes to the financial statements, comprising significant accounting policies and other explanatory notes; and**

...

24.1 Where an entity presents a comparison, in the financial ~~statements~~ report, of prospective financial information and actual financial information, such a comparison shall be in accordance with the requirements of this Standard. Where an entity presents a comparison, in the financial report, of prospective service performance information and actual service performance information, such a comparison shall be in accordance with the requirements of PBE FRS 48.

25. Entities are encouraged to present additional information to assist users in assessing the performance of the entity, and its stewardship of assets, as well as making and evaluating decisions about the allocation of resources. This additional information may include ~~details about the entity's outputs and outcomes in the form of (a) performance indicators, (b) statements of service performance, (c) programme reviews, and (d) other reports by management about the entity's achievements over the reporting period.~~

26. Entities are also encouraged to disclose information about compliance with legislative, regulatory, or other externally-imposed regulations. When information about compliance is not included in the financial ~~statements-report~~, ...

Overall Considerations

Fair Presentation and Compliance with PBE Standards

- *27. **Financial ~~statements~~ reports shall present fairly the financial position, financial performance, and cash flows, and service performance** of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in PBE Standards. The application of PBE Standards, with additional disclosures when necessary, is presumed to result in **financial ~~statements~~ reports** that achieve a fair presentation.

RDR 27.1 **Financial ~~statements~~ reports shall present fairly the financial position, financial performance and cash flows, and service performance** of a Tier 2 entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in the PBE Standards. The application of PBE Standards Reduced Disclosure Regime (PBE Standards RDR), with additional disclosure when necessary, is presumed to result in **financial ~~statements~~ reports** that achieve a fair presentation.

- *28. **An entity whose financial ~~statements-report~~ complies ~~comply~~ with Public Benefit Entity Standards (PBE Standards) shall make an explicit and unreserved statement of such compliance in the notes. Financial ~~statements~~ reports shall not be described as complying with PBE Standards unless they comply with all the requirements of PBE Standards.**

RDR 28.1 **A Tier 2 entity whose financial report ~~complies~~ ~~statements-comply~~ with Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR) shall make an explicit and unreserved statement of such compliance in the notes. Financial ~~statements~~ reports shall not be described as complying with PBE Standards RDR unless they comply with all the requirements of PBE Standards RDR.**

28.2 **An entity shall disclose in the notes:**

- (a) **The statutory basis or other reporting framework, if any, under which the financial ~~statements~~ report is ~~are~~ prepared;**
- (b) **A statement whether the financial ~~statements~~ and, where appropriate, service performance information have been prepared in accordance with generally accepted accounting practice (GAAP); and**

...

RDR 28.3 ...

28.4 A number of entities ~~have are required by legislation to prepare~~ general purpose financial reporting requirements which refer to statements that comply with GAAP. The legislative definition of GAAP in the Financial Reporting Act 2013 refers to applicable financial reporting standards approved by the External Reporting Board, which include PBE Standards. PBE Standards include requirements and guidance specific to public benefit entities and provide reduced disclosures for entities that qualify to apply the Reduced Disclosure Regime. An entity asserting compliance with GAAP therefore needs to describe the financial reporting standards that have been applied by the entity in preparing its financial statements, and where appropriate, service performance information. For example:

- (a) An entity complying with Tier 1 PBE Accounting Requirements would state: “The financial statements [and service performance information] have been prepared in accordance with PBE Standards”; and
- (b) An entity complying with Tier 2 PBE Accounting Requirements would state: “The financial statements [and service performance information] have ...

29. In virtually all circumstances, a fair presentation is achieved by compliance with applicable PBE Standards. A fair presentation also requires an entity:

...

- (c) To provide additional disclosures when compliance with the specific requirements in PBE Standards is insufficient to enable users to understand the impact of particular transactions, other events, and conditions on the entity's financial position, ~~and financial performance~~ and service performance.

...

31. **In the extremely rare circumstances in which management concludes that compliance with a requirement in a Standard would be so misleading that it would conflict with the objective of financial ~~statements~~ reports set out in this Standard, the entity shall depart from that requirement in the manner set out in paragraph 32 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.**

32. **When an entity departs from a requirement of a Standard in accordance with paragraph 31, it shall disclose:**

- (a) **That management has concluded that the financial ~~statements~~ report presents fairly the entity's financial position, financial performance, ~~and cash flows~~, and service performance;**

(b) ...

- (c) **The title of the Standard from which the entity has departed, the nature of the departure, including the treatment that the Standard would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial ~~statements~~ reports set out in this Standard, and the treatment adopted; and**

- (d) **For each period presented, the financial impact of the departure on each item in the financial ~~statements~~ report that would have been reported in complying with the requirement.**

33. **When an entity has departed from a requirement of a Standard in a prior period, and that departure affects the amounts recognised in the financial ~~statements~~ report for the current period, it shall make the disclosures set out in paragraph 32(c) and (d).**

...

35. **In the extremely rare circumstances in which management concludes that compliance with a requirement in a Standard would be so misleading that it would conflict with the objective of financial ~~statements~~ reports set out in this Standard, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:**

- (a) **The title of the Standard in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial ~~statements~~ reports set out in this Standard; and**

- (b) **For each period presented, the adjustments to each item in the financial ~~statements~~ report that management has concluded would be necessary to achieve a fair presentation.**

36. For the purpose of paragraphs 31–35, an item of information would conflict with the objective of financial ~~statements~~ reports when it does not represent faithfully the transactions, other events, and conditions that it either purports to represent or could reasonably be expected to represent and, consequently, it would be likely to influence decisions made by users of financial ~~statements~~ reports. When assessing whether complying with a specific requirement in a Standard would be so misleading that it would conflict with the objective of financial ~~statements~~ reports set out in this Standard, management considers:

- (a) Why the objective of financial ~~statements~~ reports is not achieved in the particular circumstances; and

- (b) How the entity's circumstances differ from those of other entities that comply with the requirement. If other entities in similar circumstances comply with the requirement, there is a rebuttable presumption that the entity's compliance with the requirement would not be so misleading that it would conflict with the objective of the financial ~~statements~~ reports set out in this Standard.

...

Going Concern

38. When preparing a financial ~~statements report~~, an assessment of an entity's ability to continue as a going concern shall be made. This assessment shall be made by those responsible for the preparation of the financial statements report. Financial ~~statements reports~~ shall be prepared on a going concern basis unless there is an intention to liquidate the entity or to cease operating, or if there is no realistic alternative but to do so. When those responsible for the preparation of the financial statements report are aware, in making their assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When ~~financial statements reports~~ are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements report is ~~are~~ prepared and the reason why the entity is not regarded as a going concern.
39. Financial ~~statements reports~~ are normally prepared on the assumption that the entity is a going concern and will continue in operation and meet its statutory obligations for the foreseeable future. In assessing whether the going concern assumption is appropriate, those responsible for the preparation of ~~financial statements reports~~ take into account all available information about the future, which is at least, but is not limited to, twelve months from the approval of the financial statements report.
- ...
41. The determination of whether the going concern assumption is appropriate is primarily relevant for individual entities rather than for a government as a whole. For individual entities, in assessing whether the going concern basis is appropriate, those responsible for the preparation of the financial statements report may need to consider...

Consistency of Presentation

42. **The presentation and classification of items in the financial statements report shall be retained from one period to the next unless:**
- (a) **It is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements report, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in PBE IPSAS 3; or**
 - (b) **A PBE Standard requires a change in presentation.**
43. A significant acquisition or disposal, or a review of the presentation of the ~~financial statements reports~~, might suggest that the financial statements report needs to be presented differently. For example, an entity may dispose of a savings bank that represents one of its most significant controlled entities and the remaining economic entity conducts mainly administrative and policy advice services. In this case, the presentation of the financial statements report based on the principal activities of the economic entity as a financial institution is unlikely to be relevant for the new economic entity.
44. An entity changes the presentation of its ~~financial statements report~~ only if the changed presentation provides information that is faithfully representative and is more relevant to users of the ~~financial statements report~~, and the revised structure is likely to continue, so that comparability is not impaired. When making such changes in presentation, an entity reclassifies its comparative information in accordance with paragraphs 55 and 56.

Materiality and Aggregation

45. **Each material class of similar items shall be presented separately in the financial statements report. Items of a dissimilar nature or function shall be presented separately, unless they are immaterial.**
- ...
- 46A. When applying this and other PBE Standards an entity shall decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the ~~financial statements report~~, which includes the notes. An entity shall not reduce the understandability of its ~~financial statements report~~ by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.
- 46A.1 Materiality has an important role in guiding the selection of service performance information to be included in a financial report. This is particularly so when an entity delivers a wide range of goods and services.

46A.2 When making judgements about whether items of service performance information are material, the following should be considered:

- (a) The users of financial reports and their information needs;
 - (b) How the qualitative characteristics affect presentation and disclosure (for example, service performance information must be relevant, but the overall volume of information must also be accessible in order for it to be understandable);
 - (c) How the nature and size of items of information, judged in the surrounding circumstances, affect presentation and disclosure; and
 - (d) Where financial and non-financial information that is material should be presented and disclosed.
47. Some PBE Standards specify information that is required to be included in the financial statements, or elsewhere in the financial report, which include the notes. An entity need not provide a specific disclosure required by a PBE Standard if the information resulting from that disclosure is not material. This is the case even if the PBE Standard contains a list of specific requirements or describes them as minimum requirements. An entity shall also consider whether to provide additional disclosures when compliance with the specific requirements in PBE Standards is insufficient to enable users of financial reports statements to understand the impact of particular transactions, other events and conditions on the entity's financial position, ~~and~~ financial performance and, where appropriate, service performance.

...

Comparative Information

Minimum Comparative Information

53. **Except when a PBE Standard permits or requires otherwise, an entity shall present comparative information in respect of the preceding period for all amounts reported in the financial ~~statements~~ report. An entity shall include comparative information for narrative and descriptive information if it is relevant to an understanding of the current period's financial ~~statements~~ report.**
- 53A. **An entity shall present, as a minimum, one statement of financial position with comparative information for the preceding period, one statement of comprehensive revenue and expense with comparative information for the preceding period, one cash flow statement with comparative information for the preceding period and one statement of changes in net assets/equity with comparative information for the preceding period, and related notes. PBE FRS 48 sets out requirements for the reporting of comparative service performance information.**
54. In some cases, narrative information provided in the financial ~~statements~~ report for the preceding period(s) continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute, the outcome of which was uncertain at the end of the preceding period and is yet to be resolved, are disclosed in the current period. Users may benefit from the disclosure of information that the uncertainty existed at the end of the preceding period and from disclosure of information about the steps that have been taken during the period to resolve the uncertainty. PBE FRS 48 notes that judgement is required in deciding when to provide comparative narrative and descriptive information.

...

- 55.1 PBE FRS 48 permits, but does not require, changes to comparative information.

...

Structure and Content

Introduction

59. ... PBE IPSAS 2 sets out requirements for the presentation of a cash flow statement. PBE FRS 48 sets out requirements for the reporting of service performance information.
60. This Standard sometimes uses the term disclosure in a broad sense, encompassing items presented on the face of the (a) ... ~~and~~ (d) cash flow statement, and (e) within the service performance information, where this is required, as well as in the notes. Disclosures are also required by other PBE Standards. Unless specified to the contrary elsewhere in this Standard, or in another Standard, such disclosures are made either on the face of the statement of financial position, statement of comprehensive revenue and expense,

statement of changes in net assets/equity or cash flow statement (whichever is relevant), within the service performance information, or in the notes.

Identification of the Financial Statements Report

61. The financial ~~statements~~ report shall be identified clearly, and distinguished from other information in the same published document.
62. PBE Standards apply only to financial statements, and ~~statements of~~ service performance information, and not to other information presented in an annual report or other document. ...
63. **Each component of the financial ~~statements~~ report shall be identified clearly. In addition, the following information shall be displayed prominently, and repeated when it is necessary for a proper understanding of the information presented:**
 - ...
 - (b) **Whether the financial ~~statements~~ report covers the individual entity or the economic entity;**
 - (c) **The reporting date or the period covered by the financial ~~statements~~ report, whichever is appropriate to that component of the financial ~~statements~~ report;**
 - ...
 - (e) **The level of rounding used in presenting amounts in the financial ~~statements~~ report.**
64. The requirements in paragraph 63 are normally met by presenting page headings and abbreviated column headings on each page of the financial ~~statements~~ report. Judgement is required in determining the best way of presenting such information. For example, when the financial ~~statements~~ report is are presented electronically, separate pages are not always used; the above items are then presented frequently enough to ensure a proper understanding of the information included in the financial ~~statements~~ report.
65. Financial ~~statements~~ reports are often made more understandable by presenting information in thousands or millions of units of the presentation currency. This is acceptable as long as the level of rounding in presentation is disclosed and material information is not omitted.

Reporting Period

66. **Financial ~~statements~~ reports shall be presented at least annually. When an entity's reporting date changes and the annual financial ~~statements~~ report is are presented for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial ~~statements~~ report:**
 - ...
68. Normally, financial ~~statements~~ reports are consistently prepared covering a one-year period. However, for practical reasons, some entities prefer to report, for example, for a 52-week period. This Standard does not preclude this practice, because the resulting financial ~~statements~~ report is are unlikely to be materially different from ~~those~~ the report that would be presented for one year.

Timeliness

69. The usefulness of financial ~~statements~~ reports is impaired if they are not made available to users within a reasonable period after the reporting date. An entity should be in a position to issue its financial ~~statements~~ report within six months of the reporting date.
 - ...

Statement of Financial Position

78. The operating cycle of an entity is the time taken to convert inputs or resources into the goods and services produced by an entity ~~outputs~~. For instance, governments transfer resources to public sector entities so that they can convert those resources into goods and services, or outputs, to meet the government's desired social, political, and economic outcomes. Similarly, many not-for-profit entities receive grants and donations for conversion into services or goods in pursuit of social policy outcomes. When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.
 - ...

83. An entity ...:
 ...
 (b) An agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial ~~statements~~ report is ~~are~~ authorised for issue.
 ...
85. When an entity breaches an undertaking under a long-term loan agreement on or before the reporting date, with the effect that the liability becomes payable on demand, the liability is classified as current, even if the lender has agreed, after the reporting date and before the authorisation of the financial ~~statements~~ report for issue, not to demand payment as a consequence of the breach. The liability is classified as current because, at the reporting date, the entity does not have an unconditional right to defer its settlement for at least twelve months after that date.
 ...
87. In respect of loans classified as current liabilities, if the following events occur between the reporting date and the date the financial ~~statements~~ report is ~~are~~ authorised for issue, those events qualify for disclosure as non-adjusting events in accordance with PBE IPSAS 14 *Events After the Reporting Date*:
 ...

Statement of Comprehensive Revenue and Expense

...
 *116.1 An entity shall disclose fees to each auditor or reviewer, including any network firm² [footnote omitted], separately for:

- (a) The audit or review of the financial ~~statements~~ report; and
- (b) All other services performed during the reporting period.

Service Performance Information

126.1 Service performance information provides users of financial reports with a basis to assess the service performance of the entity. PBE FRS 48 specifies which entities are required to present service performance information in accordance with that Standard and sets out requirements for the reporting of service performance information and related disclosures.

Notes

Structure

127. The notes shall:
- (a) Present information about the basis of preparation of the financial ~~statements~~ report and the specific accounting policies used, in accordance with paragraphs 132–139;
 - (b) Disclose the information required by PBE Standards that is not presented on the face of the statement of financial position, statement of comprehensive revenue and expense, statement of changes in net assets/equity, ~~or cash flow statement,~~ or within the service performance information; and
 - (c) Provide additional information that is not presented on the face of the statement of financial position, statement of comprehensive revenue and expense, statement of changes in net assets/equity, ~~or cash flow statement,~~ or within the service performance information, but that is relevant to an understanding of any of them.
128. Notes shall, as far as practicable, be presented in a systematic manner. In determining a systematic manner, the entity shall consider the effect on the understandability and comparability of its financial ~~statements~~ report. Each item on the face of the statement of financial position, statement of comprehensive revenue and expense, statement of changes in net assets/equity, ~~and~~ cash flow statement, and within the service performance information shall be cross-referenced to any related information in the notes.
129. Examples of systematic ordering or grouping of the notes include:

- (a) Giving prominence to the areas of its activities that the entity considers to be most relevant to an understanding of its service performance, financial performance and financial position, such as grouping together information about particular operating activities;

...

- 131. Notes providing information about the basis of preparation of the financial statements report and specific accounting policies may be presented as a separate component of the financial statements report.

Disclosure of Accounting Policies

- 132. **An entity shall disclose its significant accounting policies comprising:**

- (a) **The measurement basis (or bases) used in preparing the financial statements report;**

...

- (c) **The other accounting policies used that are relevant to an understanding of the financial statements report.**

- 133. It is important for users to be informed of the measurement basis or bases used in the financial statements report (for example, historical cost, current cost, net realisable value, fair value, recoverable amount, or recoverable service amount), because the basis on which the financial statements are report is prepared significantly affects ~~their~~ its analysis. When more than one measurement basis is used in the financial statements report, for example when particular classes of assets are revalued, it is sufficient to provide an indication of the categories of assets and liabilities to which each measurement basis is applied.

- 134. In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events, and conditions are reflected in the reported financial performance and financial position. Each entity considers the nature of its operations and the policies that the users of its financial statements report would expect to be disclosed for that type of entity. ...

...

- 137. **An entity shall disclose, along with its significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 140), management² has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements report.**

² In this context, management is the person/committee responsible for the financial statements report.

- 138. In the process of applying the entity's accounting policies, management makes various judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements report. ...

...

- 144. The disclosures in paragraph 140 are presented in a manner that helps users of a financial statements report to understand the judgements management makes about the future and about other key sources of estimation uncertainty. ...

Capital

- *148A. An entity shall disclose information that enables users of its financial statements report to evaluate the entity's objectives, policies, and processes for managing capital.

...

- *148C. ... When an aggregate disclosure of capital requirements and how capital is managed would not provide useful information or distorts a financial statement report user's understanding of an entity's capital resources, the entity shall disclose separate information for each capital requirement to which the entity is subject.

Comparison with Prospective Financial Statements

- 148.1 **Where an entity has published general purpose prospective financial statements for the period of the financial statements, the entity shall present a comparison of the prospective financial statements with the historical financial statements being reported. Explanations for major variances shall be given.**

148.2 PBE FRS 42 *Prospective Financial Statements* defines general purpose prospective financial statements. Legislative or other requirements may require a comparison with originally published information, the most recently published information, or both.

148.3 Comparison of prospective financial statements with actual financial results is an essential element of accountability. In the case of FMC reporting entities ~~issues~~ a comparison of actual financial results against the originally published statements is important because it provides users with a comparison of actual performance with the projected performance at the time the entity raised funds. In the case of other entities, comparisons between projected performance and actual performance for a period are a means of demonstrating accountability for the resources used and the financial management of assets and liabilities. Some entities provide long-term prospective financial statements which are updated annually, prior to the beginning of the year. In such cases a comparison of actual financial results with the most recent prospective financial statements published prior to the beginning of the period is generally relevant. Where information is revised during the course of a year, the reasons for revising the information and an explanation of the differences between the originally published prospective financial statements and the historical financial statements should be given. PBE FRS 48 establishes requirements for comparisons of prospective and actual service performance information, where such comparisons are presented.

...

Other Disclosures

*149. **An entity shall disclose in the notes:**

- (a) **The amount of dividends, or similar distributions, proposed or declared before the financial statements were report was authorised for issue, but not recognised as a distribution to owners during the period, and the related amount per share; and**

...

*150. **An entity shall disclose the following, if not disclosed elsewhere in information published with the financial statements report:**

...

Statement of Service Performance

150.1–150.10 [Deleted.]

...

Effective Date

...

154.10 PBE FRS 48 *Service Performance Reporting*, issued in November 2017, amended paragraphs 1–3, 7, 15–19, 21, 24.1, 25–28.2, 28.4, 29, 31–33, 35–36, 38–39, 41–45, 46A, 47, 53–54, 59–66, 68–69, 78, 83, 85, 87, 116.1, 127–129, 131–134, 137–138, 144, 148A, 148C, 148.3 and 149–150 and amended the headings above paragraphs 15, 19, 20.1, 61 and 148.1, added paragraphs 20.1, 46A.1–46A.2, 55.1 and 126.1 and a heading above that paragraph, deleted paragraphs 7.1 and 150.1–150.10 and the related heading, and withdrew Appendix C. An entity shall apply those amendments when it applies PBE FRS 48.

Paragraph BC3 is amended and paragraph BC4 is deleted. New text is underlined and deleted text is struck through.

Service Performance Reporting

BC3. When PBE IPSAS 1 was first issued it ~~includes~~ included non-integral implementation guidance on service performance reporting (as Appendix C), pending the development of a standard on service performance reporting. The NZASB issued PBE FRS 48 *Service Performance Reporting* in November 2017 and, as a consequence, withdrew the previous non-integral implementation guidance in Appendix C. At that time, the NZASB also made a number of changes to PBE IPSAS 1, including changing the title of that Standard to reflect the fact that the general purpose financial reports of many PBEs include both financial statements and service performance information. The NZASB noted that the change in title of PBE IPSAS 1 was for consistency between PBE Standards and the *Public Benefit Entities' Conceptual Framework* and did not imply that entities should change the title of their general purpose financial report. ~~This guidance is based~~

on that previously set out in *Technical Practice Aid 9 Service Performance Reporting* (New Zealand Institute of Chartered Accountants, 2007) (TPA 9). The NZASB noted that although TPA 9 was previously published in the handbook of *Applicable Financial Reporting Standards* it did not have authoritative support.

- BC4. ~~[Deleted by NZASB] The NZASB agreed, as a short term measure pending activation of a new project on performance reporting, to include guidance based on TPA 9 as non integral implementation guidance accompanying PBE IPSAS 1. In developing guidance to be incorporated in a standard, the NZASB agreed that the guidance should be appropriate for application by both public sector and not for profit (NFPs) entities. TPA 9 was focused on central and local government. In giving effect to this decision, the Board agreed that the guidance should acknowledge that NFPs may be providing goods and services on behalf of others or in order to further their own objectives and that the circumstances will determine the nature of their accountability to external parties.~~

Appendix C is withdrawn.

Appendix C

Service Performance Reporting

~~[Deleted by NZASB]~~

The Comparison with IPSAS 1 is amended as shown. New text is underlined and deleted text is struck through.

Comparison with IPSAS 1

PBE IPSAS 1 *Presentation of Financial Reports ~~Statements~~* is drawn from IPSAS 1 *Presentation of Financial Statements*.

The significant differences between PBE IPSAS 1 and IPSAS 1 are:

- (a) The title of PBE IPSAS 1 reflects the fact that it establishes presentation requirements for both financial statements and service performance information.
- ~~(b)~~ PBE IPSAS 1 reflects the New Zealand regulatory environment, including the requirements in the Financial Reporting Act 2013 regarding compliance with accounting standards. ~~It notes that an entity reporting in accordance with the Financial Reporting Act 1993 is not permitted to depart from the requirements of an accounting standard.~~
- ~~(c)~~ PBE IPSAS 1 requires an assertion of compliance with PBE Standards rather than an assertion of compliance with IPSASs.
- ~~(d)~~ PBE IPSAS 1 requires the following additional disclosures:
 - (i) The statutory base or other reporting framework, if any, under which the financial statements are prepared;
 - (ii) The fact that the entity is a public benefit entity;
 - (iii) The fact that the financial statements comply with PBE Standards;
 - (iv) Whether the entity has availed itself of any disclosure concessions; and
 - (v) Fees paid to each auditor or reviewer, including any network firm, for the audit or review of the financial statements and all other services performed during the reporting period; and
 - (vi) Where a statement of service performance is presented, a description and disclosure of the outputs of the entity and the outcome(s) to which the outputs are intended to contribute.
- ~~(d)~~ ~~PBE IPSAS 1 includes non integral implementation guidance on service performance reporting.~~
- (e) PBE Standards require the presentation of a statement of comprehensive revenue and expense. IPSASs require the presentation of a statement of financial performance.

- (f) PBE IPSAS 1 includes illustrative financial statements for a not-for-profit entity.

PBE IAS 34 *Interim Financial Reporting*

The Objective and paragraphs 4, 16A, 19, RDR 19.1, 23–25 and 25.2 are amended. Paragraphs 25.1 and 25.3 are shown to provide context.

Paragraphs 8A.1, 9.1–9.3, 21.1, 25.1A and 49.10 are added.

Headings are added above paragraphs 9.1 and 21.1.

New text is underlined and deleted text is struck through.

Objective

The objective of this Standard is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in complete or condensed financial statements and the requirements for presentation of service performance information for an interim period. Timely and faithfully representative interim financial reporting improves the ability of ~~users~~ investors, creditors, and others to understand an entity's capacity to generate earnings and cash flows and its financial condition and liquidity. Where interim service performance information is presented, it improves the ability of users to make decisions about funding and assess accountability for use of resources on an ongoing basis.

4. **The following terms are used in this Standard with the meanings specified:**

...

Interim financial report means a financial report for an interim period containing either the information required in a complete set of financial statements report (as described in PBE IPSAS 1 *Presentation of Financial Reports Statements*) or a set of condensed financial report statements (as described in this Standard) for an interim period.

Minimum Components of an Interim Financial Report

...

8A.1 An interim financial report may, but is not required to, include condensed service performance information.

Form and Content of Interim Service Performance Information

9.1 If an entity publishes a complete set of service performance information in its interim financial report, the form and content of that information shall conform to the requirements of PBE FRS 48 *Service Performance Reporting*.

9.2 If an entity publishes condensed service performance information in its interim financial report, that information shall be presented in a manner consistent with the service performance information in the most recent annual financial report, or an explanation of the differences shall be provided.

9.3 Although the presentation of condensed service performance information will often involve the selection of a subset of service performance information, the performance measures and/or descriptions included in condensed service performance information should be as consistent as possible with those used in the annual financial report. Differences may occur due to changes in an entity's activities or an entity's decision to change the way in which it collects and reports information. This Standard requires disclosure of any differences.

...

Other Disclosures

16A. **In addition to disclosing significant events and transactions in accordance with paragraphs 15–15C, an entity shall include the following information, in the notes to its interim financial statements, in its service performance information, or elsewhere in the interim financial report. The following disclosures shall be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management**

commentary or risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time. If users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete. The information shall normally be reported on a financial year-to-date basis.

(a) A statement that the same accounting policies and methods of computation are followed in the interim financial statements and, where relevant, service performance information, as compared with the most recent annual financial statements or service performance information, or, if those policies or methods have been changed, a description of the nature and effect of the change.

...

(h) Events after the interim period that have not been reflected in the financial statements or, where relevant, service performance information for the interim period.

Disclosure of Compliance

*19. If an entity's interim financial report is in compliance with PBE IAS 34, that fact shall be disclosed. An interim financial report shall not be described as complying with PBE Standards unless the financial statements and the service performance information, if included, in that report comply with all of the requirements of PBE Standards.

RDR 19.1 If an entity's interim financial report is in compliance with this Standard as it applies to Tier 2 entities, that fact shall be disclosed. An interim financial report shall not be described as complying with PBE Standards Reduced Disclosure Regime (PBE Standards RDR) unless the financial statements and the service performance information, if included, in that report comply with all of the requirements of PBE Standards RDR.

...

Periods for which Interim Service Performance Information may be Presented

21.1 Interim reports that include interim service performance information shall include service performance information (condensed or complete) for the current interim period and cumulatively for the current financial year to date, with comparative information for the comparable interim periods (current and year-to-date) of the immediately preceding financial year.

...

Materiality

23. In deciding how to recognise, measure, classify, or disclose an item for interim financial reporting purposes, materiality shall be assessed in relation to the interim period ~~financial~~ data. In making assessments of materiality, it shall be recognised that interim measurements may rely on estimates to a greater extent than measurements of annual ~~financial~~ data.

24. PBE IPSAS 1 and PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* define an item as material if its omission or misstatement could influence the ~~economic~~ decisions or assessments of users of the financial statements or service performance information. PBE IPSAS 1 requires separate disclosure of material items, including (for example) discontinued operations, and PBE IPSAS 3 requires disclosure of changes in accounting estimates, errors and changes in accounting policies. The two Standards do not contain quantified guidance as to materiality.

25. While judgement is always required in assessing materiality, this Standard bases the recognition and disclosure decision on data for the interim period by itself for reasons of understandability of the interim figures. Thus, for example, unusual items, changes in accounting policies or estimates, and errors are recognised and disclosed on the basis of materiality in relation to interim period data to avoid misleading inferences that might result from non-disclosure. The overriding goal is to ensure that an interim financial report includes all information that is relevant to understanding an entity's financial position and performance, and where relevant, its service performance, during the interim period.

Prospective Financial Statements

25.1 Where an entity has published general purpose prospective financial statements for the period of the interim financial statements, the entity shall present a comparison of the prospective financial statements with the historical financial statements being reported. Explanations for major variances shall be given.

25.1A An entity may be required by legislation, or may elect, to report comparative service performance information in respect of previously published prospective service performance information in its interim financial report. An entity shall report comparative information for all amounts reported in the interim financial period and, where relevant, for the narrative and descriptive information reported in the interim financial report. Explanations for major variances shall be given.

25.2 ~~PBE FRS 42 *Prospective Financial Statements* defines general purpose prospective financial statements. Legislative or other requirements may require a comparison with originally published information, the most recently published information, or both.~~

25.3 Comparison of prospective financial statements with actual financial results is an essential element of accountability. In the case of FMC reporting entities a comparison of actual financial results against the originally published prospective statements is important because it provides users with a comparison of actual performance with the projected performance at the time the entity raised funds. In the case of other entities, comparisons between projected performance and actual performance for a period are a means of demonstrating accountability for the resources used and the financial management of assets and liabilities. Some entities provide long-term prospective financial statements which are updated annually, prior to the beginning of the year. In such cases a comparison of actual financial results with the most recent prospective financial statements published prior to the beginning of the period is generally relevant. Where information is revised during the course of a year, the reasons for revising the information and an explanation of the differences between the originally published prospective financial statements and the historical financial statements should be given.

Effective Date

...

49.10 PBE FRS 48 *Service Performance Reporting*, issued in November 2017, amended the Objective, paragraphs 4, 16A, 19, RDR 19.1, 23–25, 25.2, added paragraphs 8A.1, 9.1–9.3, 21.1 and 25.1A, and added headings above paragraphs 9.1 and 21.1. An entity shall apply those amendments when it applies PBE FRS 48.

Paragraph BC8 is added.

Service Performance Reporting

BC8. PBE FRS 48 *Service Performance Reporting*, issued in November 2017, established requirements for public benefit entities to report service performance information. At that time the NZASB amended PBE IAS 34 *Interim Financial Reporting* to refer to both interim financial statements and interim service performance information. The NZASB left the decision as to whether to include service performance information in an interim financial report to the discretion of the entity. In doing so the NZASB acknowledged that there may be circumstances in which an entity is required to produce interim financial statements, and the users of that interim information may be interested solely in financial information.

PBE FRS 42 *Prospective Financial Statements*

Paragraph BC5 is added. New text is underlined.

Service Performance Reporting

BC5. PBE FRS 48 *Service Performance Reporting*, issued in November 2017, established requirements for public benefit entities to report service performance information. At that time the NZASB amended a number of other standards and consulted on proposals to broaden the application of PBE FRS 42 to prospective service performance information. The NZASB decided not to proceed with those proposals at that time for two reasons. The NZASB decided that the development of requirements for reporting prospective service performance information would be better addressed as part of a separate project, so that more explicit consideration of the appropriateness of such requirements could be considered. The NZASB also noted that it was in the process of developing proposals to amend the scope of the equivalent for-profit standard, *FRS 42 Prospective Financial Statements*, with the intention of subsequently undertaking a similar project in respect of PBE FRS 42. The NZASB decided that it would be better to consider all issues associated with PBE FRS 42 as part of a single project.

PBE FRS 43 *Summary Financial Statements*

Paragraphs 9, 11A, 11B, 12 and the preceding heading, and paragraph 16 are amended.

Paragraph 44.4 is added.

New text is underlined and deleted text is struck through.

9. **Summary financial statements shall include a summary of each financial statement included in a full financial report. If the full financial report included service performance information, summary financial statements shall be accompanied by a summary of that service performance information. ~~If the full financial report is required to include non-financial statements such as a statement of service performance, the summary financial statements shall be accompanied by a summary of the non-financial statements required to be included in the full financial report.~~**

...

Application of Materiality

- 11A. **An entity shall disclose sufficient information in its summary financial statements and summary service performance information to enable a reader to obtain a broad understanding of the financial position and performance, and service performance, of the entity in a manner that is neither misleading nor biased.**
- 11B. The disclosures required by this Standard are subject to the definition of materiality in PBE IPSAS 1 *Presentation of Financial Statements Reports*. They shall be disclosed separately if they are of such incidence and size, or of such nature, that their disclosure is necessary to explain the performance or financial position of the entity. A summary description of each material item, as included in the most recent full financial statements, shall be given to enable its nature to be understood. A summary description of items relating to other periods covered by the summary shall be given where this is required for an understanding of the summary financial statements, taken as a whole.

Consistency with Full Financial Report Statements

12. **The information in the summary financial statements and summary service performance information shall be drawn from and be consistent with information presented in the full financial report statements for the relevant periods. Where information in the full financial report statements for periods included in the summary financial statements or summary service performance information has subsequently been restated or reclassified, the information in the summary financial statements or summary service performance information shall be drawn from, and be consistent with, that restated or reclassified information. No further restatement or reclassification is permitted.**
16. Except as otherwise required by legislation, if the entity presenting the summary financial statements and summary service performance information is an economic entity a group, the summary financial statements

shall be presented for the entire economic entity group. Controlling entity financial information is not required.

Effective Date

...

44.4 PBE FRS 48 *Service Performance Reporting*, issued in November 2017, amended paragraphs 9, 11A, 11B, 12 (and the preceding heading) and 16. An entity shall apply those amendments when it applies PBE FRS 48.

Paragraphs BC2–BC4 are added. New text is underlined.

Service Performance Reporting

BC2. PBE FRS 48 *Service Performance Reporting*, issued in November 2017, established requirements for public benefit entities to report service performance information. At that time the NZASB made some minor amendments to PBE FRS 43 *Summary Financial Statements* to refer to both summary financial statements and summary service performance information.

BC3. The NZASB agreed that if the full financial report included service performance information, summary financial statements should be accompanied by a summary of that service performance information. This was on the grounds that the summary should be a complete summary of the financial report. This differed from the NZASB’s views on interim financial reporting where the NZASB acknowledged that there may be circumstances in which it is appropriate for an entity to produce interim financial statements but not necessarily interim service performance information.

BC4. The NZASB also considered whether the title of PBE FRS 43 should be changed to *Summary Financial Reports* to signal that the Standard contains requirements for both financial statements and service performance information. The NZASB decided not to change the title of PBE FRS 43 at this time as it did not anticipate that the 2017 amendments would change current practice regarding when summary service performance information is presented with summary financial statements. The NZASB noted that any change in title could be considered at a later time, possibly in the context of a general amending standard.

PBE IFRS 9 *Financial Instruments*

The amendments to PBE IPSAS 1, as set out in PBE IFRS 9, Appendix D Amendments to Other Standards, are amended.

The title of PBE IPSAS 1 is changed from *Presentation of Financial Statements* to *Presentation of Financial Reports*.

Paragraphs D1, 138 and 154.7 are amended.

New text is underlined. Deleted text is struck-through.

PBE IPSAS 1 *Presentation of Financial Reports Statements*

D1 In paragraph 7, the definition of ‘other comprehensive revenue and expense’ and paragraphs 79, 82, 99.1, 103.5, 103.7, 103.8 and 138 are amended and paragraph 154.7 is added:

...

138. In the process of applying the entity’s accounting policies, management makes various judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial ~~statements~~ report. ...

...

154.7 PBE IFRS 9, issued in January 2017, amended paragraphs 7, 79, 82, 99.1, 103.5, 103.7, 103.8 and 138. An entity shall apply those amendments when it applies PBE IFRS 9.

XRB A1 Application of the Accounting Standards Framework

Appendix C is amended. New text is underlined.

APPENDIX C

TIER 1 PBE ACCOUNTING REQUIREMENTS AND TIER 2 PBE ACCOUNTING REQUIREMENTS TO BE APPLIED BY PUBLIC BENEFIT ENTITIES

This appendix forms an integral part of XRB A1 Application of the Accounting Standards Framework.

This appendix lists the Accounting Standards and Authoritative Notice that contain the Tier 1 PBE Accounting Requirements for Tier 1 PBEs and the Tier 2 PBE Accounting Requirements for Tier 2 PBEs.

Accounting Standards

PBE FRS 47 *First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRS*

PBE FRS 48 *Service Performance Reporting*

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, PBE FRS 48 Service Performance Reporting.

Introduction

- BC1. This Basis for Conclusions summarises the NZASB's considerations in developing PBE FRS 48 *Service Performance Reporting*. Individual Board members gave greater weight to some factors than to others.
- BC2. The NZASB issued ED NZASB 2016-6 *Service Performance Reporting* in February 2016 (the 2016 ED). The NZASB received 18 comment letters and obtained additional feedback through outreach on the 2016 ED. Respondents were supportive of the project but highlighted that further work was required to develop a standard that could be applied by a range of public benefit entities (PBEs).
- BC3. The NZASB revised the proposals to develop a standard that could be more readily applied by entities using a range of performance frameworks. The NZASB sought feedback on aspects of the revised proposals in May 2017. It did this by notifying the respondents to the 2016 ED of the revised proposals, making contact with key constituent groups and making a limited scope review draft of the proposed standard available on its website for a period of two months.
- BC4. The NZASB issued PBE FRS 48 in November 2017.

Reasons for Issuing this Standard

- BC5. The NZASB issued this Standard to establish requirements for the reporting of service performance information in order to address a gap in the PBE Standards and to better meet the information needs of users of general purpose financial reports.
- BC6. When the NZASB first issued PBE Standards in 2013 it included non-integral guidance on service performance reporting in PBE IPSAS 1 *Presentation of Financial Statements*.² This non-integral guidance was based on Technical Practice Aid 9 *Service Performance Reporting* (as issued by the New Zealand Institute of Chartered Accountants in 2007) and was originally developed for application by public sector entities only. The material from TPA-9 was updated to take account of more recent developments in service performance reporting and modified to be appropriate for application by both public sector and not-for-profit (NFP) PBEs. The NZASB regarded the guidance in PBE IPSAS 1 as an interim step, pending the development of a financial reporting standard on service performance information, and subsequently added a project on service performance reporting to its agenda. This Standard is the result of that project.
- BC7. The NZASB considered the information needs of users of general purpose financial reports, as discussed in the *Public Benefits Entities' Conceptual Framework* (PBE Conceptual Framework). The NZASB noted that financial statements provide some, but not all, of the information that users of general purpose financial reports of PBEs require for accountability and decision making. The provision of service performance information, together with financial statements, provides users with a more complete set of information. The NZASB noted that it had already established service performance reporting requirements in the Tier 3 and Tier 4 PBE Accounting Requirements.
- BC8. The recent projects of other standard-setters were considered in developing this Standard. The International Public Sector Accounting Standards Board's (IPSASB's) Recommended Practice Guideline 3 *Reporting of Service Performance Information* (RPG 3) was issued in 2015. The NZASB considered the extent to which the guidance in RPG 3 was appropriate for PBEs in New Zealand. The Australian Accounting Standards Board (AASB) issued ED 270 *Reporting Service Performance Information* in August 2015. Although jurisdictional differences meant that the projects of the NZASB and AASB were conducted as separate projects, the Boards had similar objectives and monitored each other's projects.
- BC9. The remainder of this Basis for Conclusions is organised using the section headings in the Standard.

Scope

- BC10. In general, the requirements in a particular PBE Standard apply to public benefit entities in both the public sector and NFP sector. However, sometimes it is necessary to differentiate between the two sectors. In the

² Subsequently renamed *Presentation of Financial Reports*.

case of service performance information, the NZASB needed to consider existing legislative requirements that apply in the public sector.

- BC11. Although legislative requirements have evolved over time, many public sector PBEs such as government departments, crown entities and local governments, have been subject to performance reporting requirements for a number of years. Legislation has often required both ex ante and ex post service performance information. The NZASB was of the view that entities with existing legislative requirements to report service performance information would already have much of the information required by PBE FRS 48. In order to minimise the imposition of additional compliance costs on such entities for potentially little additional benefit, the NZASB had regard to current legislative requirements when it developed this Standard.
- BC12. The NZASB considered the implications of requiring all public sector PBEs, including those without legislative requirements to report service performance information, to comply with the Standard. The NZASB noted the following.
- (a) From a legislative perspective, there has already been an assessment for some of these entities that the costs of requiring service performance information would be greater than the benefits, that such reporting would be inappropriate, or an acknowledgement that related information is made available in other ways.
 - (b) Some entities (for example, schools) that do not have a legislative requirement to report service performance information nonetheless have a legislative requirement to report non-financial information that is complementary to the financial statements. In these circumstances imposing a different set of requirements would impose additional costs, but would not necessarily provide additional benefits commensurate with those costs.
- BC13. The concerns about conflicts with legislation were limited to the public sector. The NZASB noted that some NFP PBEs already provided service performance information in their general purpose financial reports. The NZASB was of the view that the general purpose financial report of an NFP entity should tell a story about what an NFP entity does, the resources used in doing it, and how well positioned the entity is to continue doing it. Service performance reporting is an essential component of that story. The NZASB acknowledged that complying with PBE FRS 48 could lead to increased costs for NFP entities as its requirements were unlikely to align perfectly with their current reporting. The NZASB opted for a high-level principles-based approach to provide sufficient flexibility for entities to ‘tell their story’ in a way that is meaningful for them and their users, to avoid some of the difficulties that could arise with a more prescriptive approach and to avoid imposing unnecessary costs. On balance, the NZASB considered that the benefits of improved and more comparable service performance reporting across the NFP sector would outweigh the costs of reporting in accordance with the Standard.
- BC14. The NZASB noted that PBE FRS 48 would not replace the detailed one-on-one reporting that occurs between entities and funders. Rather, it would provide an opportunity for funders to consider the extent to which the information required by the Standard could meet their needs.
- BC15. Taking all of these matters into consideration, the 2016 ED proposed that:
- (a) public sector PBEs with existing legislative requirements to report service performance information comply with the proposed standard;
 - (b) public sector PBEs without existing legislative requirements to report service performance information be encouraged, but not required, to comply with the proposed standard; and
 - (c) NFP PBEs comply with the proposed standard.
- BC16. The NZASB sought feedback on the costs and benefits of these scope proposals. Although some respondents considered that the requirements for all Tier 1 and Tier 2 PBEs should be the same, the majority of respondents supported the proposals.
- BC17. Based on feedback from respondents the NZASB refined the scope requirements for public sector PBEs to more closely link the scope with legislative requirements. For example, only some legislation requires service performance information in accordance with GAAP and legislation may require service performance information on only some of an entity’s activities. The NZASB also agreed that, in order to acknowledge the range of legislative requirements, the scope should refer to “information in respect of service performance” rather than “a statement of service performance (by whatever name called)”.

BC18. PBE FRS 48 establishes requirements for the reporting of service performance information in a general purpose financial report. It does not apply to service performance information prepared for groups of entities that are not a reporting entity for financial reporting purposes or for parts of an entity. Nor does it apply to service performance information presented in another context, such as a standalone report. The NZASB considered that establishing requirements for such varied forms of reporting would not only be difficult, but would be outside its mandate. The NZASB also acknowledged that PBEs may include other types of non-financial information such as environmental information and sustainability information in an annual report, but considered that such reporting was broader than service performance reporting.

Principles

BC19. PBE FRS 48 is based on the objectives of financial reporting and the qualitative characteristics of financial reporting in the PBE Conceptual Framework.

BC20. The 2016 ED proposed that service performance information satisfy, to the extent possible, the qualitative characteristics and appropriately balance the pervasive constraints on information in general purpose financial reports. The 2016 ED explained that this should result in service performance information that is appropriate and meaningful. The NZASB introduced the term ‘appropriate and meaningful’ because it wanted to establish a general term that entities could apply when making judgements about the application of the qualitative characteristics and constraints. The NZASB considered that a general term such as this could facilitate discussions between preparers, and between preparers and auditors regarding the appropriate selection of information and the overall volume of information presented. The NZASB received positive feedback about the use of this term and retained it in the Standard.

BC21. In response to feedback received on the proposals in the 2016 ED the NZASB:

- (a) clarified that the term appropriate and meaningful should be considered from the user’s point of view;
- (b) included a discussion, from the PBE Conceptual Framework, on the trade-off needed between the qualitative characteristics; and
- (c) emphasised the role of neutrality in faithful representation.

BC22. In response to feedback received on the limited scope review draft about the importance of some aspects of the qualitative characteristics and pervasive constraints, the NZASB expanded the discussion of relevance, faithful representation and verifiability. The NZASB noted that although these concepts are discussed in the PBE Conceptual Framework, not all those applying this Standard would necessarily be familiar with that document. The NZASB agreed that reiterating key messages about those concepts could facilitate discussions between preparers, and between preparers and auditors about the application of the qualitative characteristics and pervasive constraints to an entity’s service performance reporting.

Information to be Reported

BC23. The NZASB’s aim was to develop a standard that could be applied by a wide range of PBEs in reporting on their service performance. The 2016 ED aimed to establish best practice requirements, while acknowledging the difficulties that some entities might face in meeting the proposed requirements.

BC24. The requirements in the 2016 ED were based on the following three dimensions of service performance.

- (a) What did the entity do?
- (b) Why did the entity do it?
- (c) What impact did the entity have?

BC25. These dimensions were described using the terms outputs, outcomes and impacts. The 2016 ED defined outcomes as the impacts on society or segments of society as a result of the entity’s outputs and operations. The 2016 ED proposed that all entities explain the outcomes that they seek to influence, how they consider their outputs contribute to those outcomes, and, where appropriate, what impacts the entity had on those outcomes. It acknowledged a number of factors that could make it difficult for some entities to report on impacts and suggested that reporting on what it referred to as intermediate outcomes could partly address these difficulties.

BC26. Although respondents supported the development of a standard on service performance reporting, the proposed requirements were regarded as too prescriptive and too difficult for a range of entities to apply. Comments from respondents centred around the following issues.

- (a) Entities may be subject to a range of other service performance reporting requirements, including legislative requirements. Entities should be able to comply with both the proposed standard and those other requirements without restating or duplicating information.
- (b) Legislative requirements continue to evolve. For example, the terms outputs and outcomes had recently been removed from some legislation.
- (c) Differing views about whether the term impacts should be used to describe what an entity is seeking to influence or ultimate outcomes. NFP entities and public sector entities indicated that they used the term impact in differing ways.
- (d) The difficulty of attributing changes to an entity's actions, particularly when a number of entities have been working together.
- (e) A lack of clarity about when an entity was required to report on impacts.

BC27. A number of respondents suggested changes to the proposals based on the performance frameworks which they were familiar with. These suggestions highlighted that there are a number of performance frameworks being used by PBEs. Common suggestions were to generalise language, use fewer defined terms and develop higher-level requirements.

BC28. The NZASB noted this feedback and agreed that in order to achieve its objective of developing a standard that could be applied by a wide range of entities it needed to focus on high-level principles and express the requirements regarding the information to be reported in more general terms. The NZASB focused on identifying requirements that would provide useful information but which could be applied by any Tier 1 or Tier 2 PBE. This led the NZASB to require that an entity provide users with:

- (a) sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this; and
- (b) information about what the entity has done during the reporting period in working towards its broader aims and objectives, as described in (a).

BC29. On the whole, respondents to the limited scope review draft acknowledged why the NZASB had decided to develop a more principles-based standard and expressed their support for the approach taken.

BC30. The Standard requires that, except as otherwise required by legislation, an entity shall present service performance information for the same reporting entity and reporting period as the financial statements. The NZASB added the reference to legislative requirements following comments from respondents that an entity may be subject to legislative requirements which specify the activities for which service performance information is required.

Presentation

BC31. PBE FRS 48 provides examples of presentation formats but does not prescribe the format of service performance information. After considering respondents' feedback on the 2016 ED the NZASB:

- (a) added a requirement that an entity clearly identify the service performance information presented in accordance with the Standard. This was in response to feedback that external parties, such as auditors, must be able to clearly identify the information that an entity has presented in order to meet the requirements of a standard; and
- (b) noted that an entity may find it helpful to present the information required by the Standard as answers to questions such as Who are we?, Why do we exist?, What did we do? and How did we perform? In the 2016 ED these questions were used to organise the information required in relation to the three dimensions of service performance. Although PBE FRS 48 no longer refers to three dimensions of performance, the NZASB considered that such questions could still be a useful way of organising information.

Comparative Information and Consistency of Reporting

- BC32. The ED required prior period comparative information for all amounts reported in the service performance information and for narrative and descriptive information when it is relevant to an understanding of the current period's service performance information. The ED, together with the proposed consequential amendments to other standards also required comparisons against prospective service performance information in some circumstances.
- BC33. These proposals reflected the NZASB's view that although the most meaningful comparison of an entity's service performance is whether it achieved what it set out to achieve (being actual versus prospective comparisons), it was not appropriate to require all PBEs to provide such comparisons. Public sector PBEs are often required to publicly report on planned activities and objectives but NFP PBEs are not. The proposals in the ED reflected this difference.
- BC34. Respondents commented on the difficulty of providing comparatives for narrative information. PBE FRS 48 acknowledges that judgement is required in deciding when to provide comparative narrative and descriptive information and requires that an entity considers whether such judgements should be disclosed.

Disclosure of Judgements

- BC35. PBE FRS 48 requires that an entity disclose those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information made in reporting service performance information in accordance with this Standard that are relevant to an understanding of the entity's service performance information. This requirement was not in the 2016 ED, which proposed a more prescriptive approach to the information to be reported. After considering responses on the 2016 ED the NZASB agreed that the Standard should be more principles-based and, that entities should have a high level of discretion in selecting service performance information to be reported. As a consequence of changes to be less prescriptive around the information to be reported, and thereby provide more flexibility for entities to make judgements about how best to 'tell their story', the disclosure requirements provide a necessary counterbalance, so users can understand how those judgements were made.
- BC36. The Standard sets out factors to be considered in deciding if an entity is required to disclose judgements in accordance with the Standard. The NZASB considered that this approach was more appropriate than mandating the disclosure of judgements by all entities.
- BC37. Respondents to the limited scope review draft were very supportive of the proposed requirements to disclose judgements and noted the importance of such disclosures in the context of the revised proposals. Following consideration of respondents' comments on the limited scope review draft, the NZASB further refined these requirements. The issues raised by respondents and the NZASB's response are as follows.
- (a) In response to a concern that the use of the term 'critical judgements' in the limited scope review draft might be interpreted too narrowly the NZASB agreed not to use that term. The NZASB agreed to require disclosure of the 'judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information reported' and noted that this wording would better align with existing disclosure requirements in PBE IPSAS 1.
 - (b) In response to a comment that an entity may also need to consider methodological issues associated with performance measures the NZASB agreed to include an additional factor to consider in deciding which judgements to disclose.

Effective Date

- BC38. The 2016 ED proposed a two-year implementation period. Although the majority of respondents supported a two-year implementation period, others requested that the NZASB consider a longer period. Those who favoured a longer period were of the view that those responsible for governance in NFP entities would need time to understand the requirements and to embed service performance reporting into their planning and management processes. They also noted the time needed to develop systems to record service performance measures and the need to implement and test systems.
- BC39. The NZASB agreed that the Standard should have a three-year implementation period, with early adoption permitted.

Reduced Disclosure Regime Concessions

BC40. There are no reduced disclosure regime concessions in PBE FRS 48. Because the Standard establishes high-level requirements the NZASB did not consider that it was appropriate to provide any reduced disclosure regime concessions.

Amendments to PBE IPSAS 1

BC41. Consistent with its view that service performance information is an integral component of a general purpose financial report, the NZASB changed the title of PBE IPSAS 1 *Presentation of Financial Statements* to *Presentation of Financial Reports* and amended PBE IPSAS 1 to refer to both financial and service performance information where appropriate. The NZASB noted that this was a significant change to PBE IPSAS 1, but considered that the changes were consistent with the PBE Conceptual Framework and would make it easier for entities preparing service performance information to understand how PBE IPSAS 1 applies to service performance information. The NZASB also noted that this approach would allow for an audit opinion on the entire general purpose financial report.

BC42. The NZASB considered and rejected an alternative approach of making minimal changes to PBE IPSAS 1. This alternative approach would have left open the possibility of the NZASB making further changes to PBE IPSAS 1 at a later stage. The NZASB was of the view that this approach would have led to less clarity about the application of PBE IPSAS 1 to service performance information.

Amendments to PBE FRS 42

BC43. In the 2016 ED, and the limited scope review draft, the NZASB proposed to amend PBE FRS 42 *Prospective Financial Statements* to require application of its requirements, to both prospective financial statements and, to the extent appropriate, to prospective service performance information. Feedback on the limited scope review draft, together with the likelihood of future consultations on the scope of PBE FRS 42, prompted the Board to reconsider these proposals.

BC44. The Board's proposals to amend PBE FRS 42 had focussed on the extension of the requirements in PBE FRS 42 to general purpose prospective service performance information. Following consideration of concerns raised by a respondent about the implications of extending these requirements to prospective service performance information, the NZASB agreed that the development of requirements for reporting prospective service performance information would be better addressed as part of a separate project, so that more explicit consideration of the appropriateness of such requirements could be considered.

BC45. The NZASB noted that it was in the process of developing proposals to amend the scope of the equivalent for-profit standard, FRS 42 *Prospective Financial Statements*, with the intention of subsequently undertaking a similar project in respect of PBE FRS 42. The NZASB decided that it would be better to consider all issues associated with PBE FRS 42 as part of a single project.

History of Amendments

PBE FRS 48 *Service Performance Reporting* was issued in November 2017.

This table lists the pronouncements establishing and substantially amending PBE FRS 48. The table is based on amendments issued as at 31 January 2019.

Pronouncements	Date issued	Early operative date	Effective date (annual financial statements ... on or after ...)
PBE FRS 48 <i>Service Performance Reporting</i>	Nov 2017	Early application is permitted	1 Jan 2021
<i>2018 Omnibus Amendments to PBE Standards</i>	Nov 2018	Early application is permitted	— ³

³ These amendments were editorial. They did not have an effective date.