

30 January 2019

Mr Warren Allen
The Chief Executive
External Reporting Board
PO Box 11250
Manners St Central
Wellington
6142

Dear Sir

Requests to comment on Exposure Draft ED NZASB 2018-4 PBE IPSAS 40 PBE Combinations

Thank you for the opportunity to comment on the above Exposure Draft.

We are making this submission to you to assist the New Zealand Accounting Standards Board (NZASB) with the above Exposure Draft. We are happy for you to publish our comments publically.

In responding we have addressed the specific questions for respondents in Appendix 1.

Overall we are supportive of the proposals contained in the Exposure Draft.

More information on BDO is provided in Appendix 2 to this letter.

We hope that our responses and comments are helpful. Should you wish to discuss any of the points we have raised please contact me (michael.rondel@bdo.co.nz) should you have any queries or require further information.

Yours faithfully,



BDO New Zealand
Michael Rondel
Audit Technical Director

+64 3 353 5527
michael.rondel@bdo.co.nz



Natalie Tyndall
Head of Financial Reporting

+64 9 373 9051
natalie.tyndall@bdo.co.nz

Appendix 1 - Response to questions

Question	Response
<p>Question 1 Do you agree with the changes (as listed below) made by the NZASB in developing the proposed PBE IPSAS 40? If not, please explain why not and identify what you think would be more appropriate.</p> <ul style="list-style-type: none"> (a) Indicators relating to consideration (b) Definitions of equity interests and owners (c) Use of the term “new entity” (d) Applying the modified pooling of interests method (e) Presentation of financial statements and disclosures (f) Acquiring a non-cash-generating operation (g) Identifying an acquirer (h) Transition (i) Voluntary combination not under common control (j) Selection of accounting policies by the resulting entity (k) Income taxes 	<p>Yes, we agree with the listed proposed changes made by the NZASB in developing the proposed PBE IPSAS 40.</p> <p>In relation to 1(c), we would recommend that the NZASB substitute the diagram contained in paragraph 32 of the <i>Invitation to Comment</i> (Diagram 1) for the one that is currently contained in IG2, as the aforementioned diagram clearly distinguishes between “new entity” and “continuing entity” which is more consistent with the proposed changes being made.</p> <p>In relation to 1(d), we would recommend that the NZASB include the diagram contained in paragraph 36 of the <i>Invitation to Comment</i> (Diagram 2) under AG50.1 and AG 50.2 as this diagrammatical summary of the requirements is useful for users.</p>
<p>Question 2 Do you agree with the changes (as listed in Table 2) made by the NZASB in developing the proposed PBE IPSAS 40? If not, please explain why not and identify what you think would be more appropriate.</p>	<p>Yes, we agree with the changes listed in Table 2 made by the NZASB in developing the proposed PBE IPSAS 40.</p>
<p>Question 3 Do you agree with retaining paragraphs 13(b) and AG36 in the proposed PBE IPSAS 40? If you disagree, please provide reasons.</p>	<p>We do not believe that the example provided will be a common occurrence in New Zealand, but we have no concerns with retaining these paragraphs.</p>
<p>Question 4 Do you agree with the concessions and associated RDR paragraphs in the proposed PBE IPSAS 40? If you disagree, please provide reasons and indicate any additional concessions or RDR paragraphs that you consider would be appropriate.</p>	<p>Yes, we agree with the concessions and associated RDR paragraphs in the proposed PBE IPSAS 40.</p>
<p>Question 5 Do you agree with the proposed effective date of 1 January 2021, with early adoption</p>	<p>Yes, we agree with the proposed effective date of 1 January 2021, with early adoption permitted.</p>

permitted? If you disagree, please provide reasons.	
Question 6 Do you have any other comments on the Exposure Draft?	We have no further comments.

Appendix 2 - Information on BDO

1. BDO New Zealand is a network of ten independently owned accounting practices, with fifteen offices located throughout New Zealand.
2. BDO firms in New Zealand offer a full range of accountancy services, including business advisory, audit, taxation, risk advisory, internal audit, corporate finance, forensic accounting and business recovery and insolvency.
3. BDO in New Zealand has 84 partners and over 800 staff.
4. BDO firms throughout New Zealand have a significant number of clients in the not-for-profit sector.
5. Five BDO firms in New Zealand (BDO Auckland, BDO Christchurch, BDO Northland, and BDO Wellington) are registered audit firms and thirteen audit partners are licensed auditors.
6. Internationally, BDO is the fifth largest full-service audit, tax and advisory firm in the world, with over 73,800 people in over 1,500 offices across over 162 countries and territories.