

Supporting Papers 4 December 2019

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Discussion Paper: Targeted Review of the New Zealand Accounting Standards Framework

Summary Document July 2019



This Summary Document accompanies the Discussion Paper *Targeted Review of the New Zealand Accounting Standards Framework*, issued by the External Reporting Board (XRB) for public consultation in July 2019.

The full Discussion Paper, which provides further background information and discussion, can be accessed through the link below.

[Press for access to full Discussion Paper](#)

This document summarises the information provided in the full Discussion Paper on:

- What is the New Zealand Accounting Standards Framework (ASF)?
- Where does the ASF fit within the broader New Zealand reporting environment?
- Why is the XRB undertaking the Targeted Review of the ASF?
- What is not within scope of the Targeted Review of the ASF?
- What specific areas of the ASF is the XRB seeking your feedback on?
- How to have your say
- Next steps

The closing date for submissions is 15 November 2019

[How to have your say](#)

What is the New Zealand Accounting Standards Framework?

In New Zealand, certain entities are required by law to prepare financial statements in accordance with accounting standards issued by the XRB. The Statutory Financial Reporting Framework established by the Government determines which entities are subject to this requirement (sometimes called the “**who**” question).

[Press for further information on the Statutory Financial Reporting Framework](#)

The [New Zealand Accounting Standards Framework](#) (the ASF) sets out the XRB’s strategy for developing and issuing accounting standards that are appropriate for those entities that have a statutory requirement to prepare financial statements in accordance with accounting standards issued by the XRB (sometimes called the “**what**” question).

The development of the ASF began in early 2009 in conjunction with Government reforms that led to the enactment of the Financial Reporting Act 2013 and associated amendments to other legislation.

The ASF was first issued in April 2012 after a comprehensive consultation process and updated for minor amendments in December 2015. The ASF became effective on a “rolling basis” across the three key sectors in New Zealand, as shown below:

Sector	When did the ASF become effective	Number of years the ASF has been effective
Public sector PBEs ¹	1 July 2014	4 – 5 years
For-profit entities ²	1 April 2015	3 – 4 years
Not-for-profit PBEs ³	1 April 2015	3 – 4 years

Key objectives of the New Zealand Accounting Standards Framework

The ASF has two key underlying objectives.

1. To **meet user needs** — by developing accounting standards that lead to high quality financial reporting that meets the different user needs in the for-profit and public benefit entity (PBE) sectors; and
2. To **balance the costs and benefits** of reporting — by establishing appropriate accounting requirements based on the nature and size of the entity

Key elements of the New Zealand Accounting Standards Framework

The ASF has three key elements.

Multi-standards approach	Different suites of accounting standards for two distinct sectors: for-profit entities and PBEs
Tiered approach	Different accounting requirements for each tier based on cost-benefit considerations: <ul style="list-style-type: none"> • For-profit entities – 2 tiers • PBEs – 4 tiers
Basis for developing each suite of accounting standards	<ul style="list-style-type: none"> • For-profit entities — accounting standards are based on International Financial Reporting Standards (IFRS Standards). • PBEs — accounting standards are based primarily on International Public Sector Accounting Standards (IPSAS) for Tiers 1 and 2 and the XRB’s Simple Format Reporting Requirements⁴ for Tiers 3 and 4.

[Press for further information on the ASF](#)

¹ **Public Benefit Entities (PBEs)** are reporting entities whose primary objective is to provide goods or services for community or social benefit rather than for a financial return to equity holders.

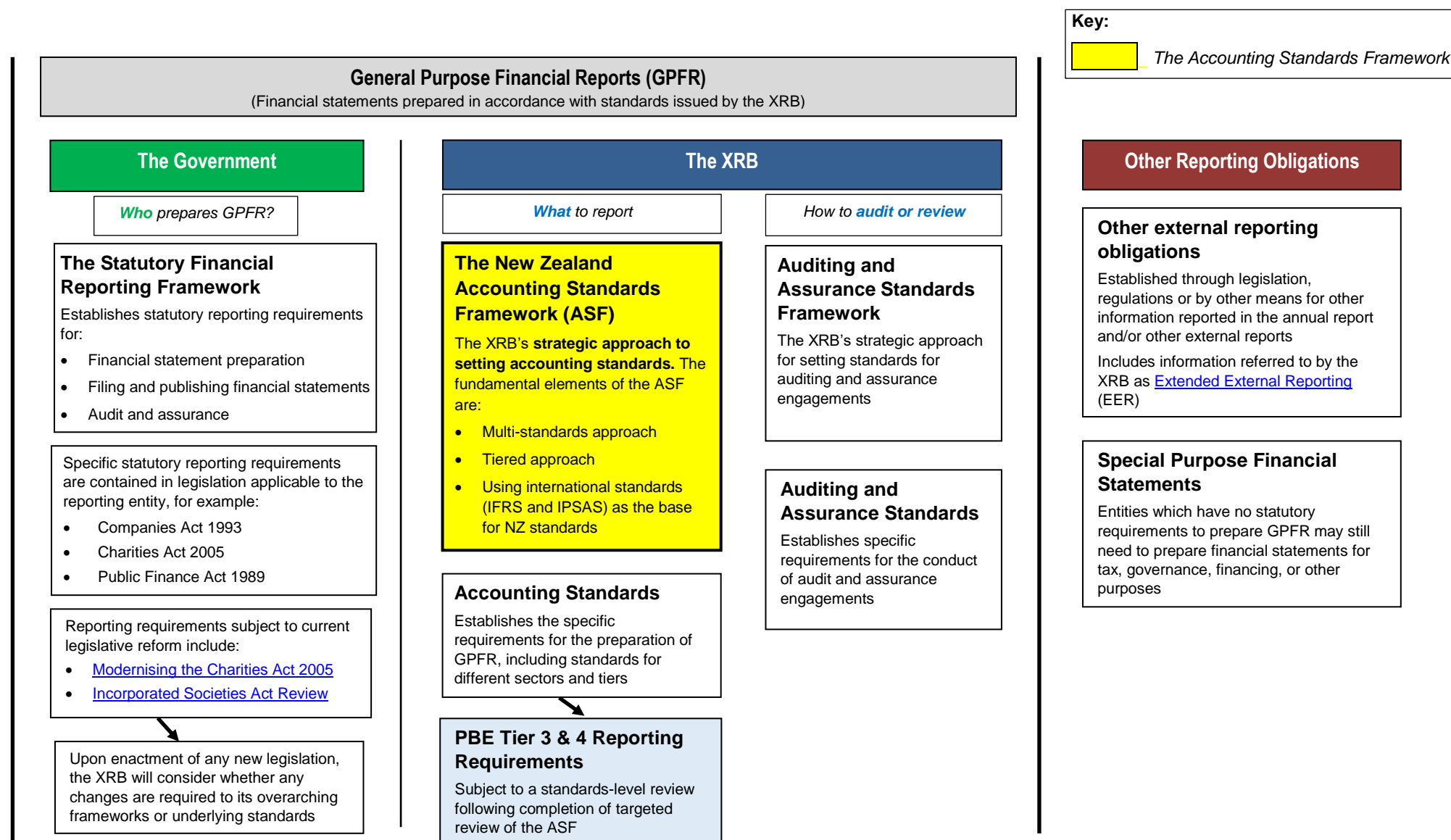
Public sector PBEs are PBEs that are public entities as defined in the Public Audit Act 2001, and all Offices of Parliament.

² **For-profit entities** for financial reporting purposes are reporting entities that are not PBEs.

³ **Not-for-profit (NFP) PBEs** are PBEs that are not public sector PBEs (e.g. registered charities).

⁴ This term refers to the Tier 3 and Tier 4 PBE Accounting Requirements.

Where does the ASF fit within the broader New Zealand reporting environment?⁵



⁵ This diagram is a high-level overview of the New Zealand reporting environment and is not intended to be comprehensive.

Why is the XRB undertaking a targeted review of the New Zealand Accounting Standards Framework?

Now that the ASF has been effective for 4–5 years for many entities, the XRB considers it timely and important to “check-in” with users of the ASF and other stakeholders to receive feedback on whether the ASF is functioning as anticipated and is achieving its original objectives.

This feedback will help the XRB Board consider whether refinements to the ASF are required to ensure it remains fit-for-purpose.

What are the objectives and scope of the review?

This is not a first-principles review

It is too soon to conduct a first-principles’ review of the ASF. The ASF was first issued in 2012 and introduced significant change for many entities. Also, we are not aware of significant unintended consequences arising from the implementation of the fundamental elements of the ASF. Therefore, **this review does not contemplate changing the ASF’s multi-standards, multi-tiered approach, or which international standards are used as a base for developing standards in New Zealand.**

The XRB expects to review these fundamental elements once the ASF has been effective for at least 10–15 years.

Key objectives of the targeted review of the New Zealand Accounting Standards Framework

The key objectives are to check-in with you on whether:

- (a) the ASF is **functioning as anticipated** and achieving its desired objectives (see p.2);
- (b) there are any **unintended consequences** or concerns to date arising from the implementation of the ASF; and
- (c) any refinements to the ASF are needed because of any **new developments or emerging issues** since the ASF was first developed.

The XRB is keen to receive feedback on:

Are you aware of any developments in the financial reporting environment or any unintended consequences that would require refinements to the ASF?

[How to have your say](#)

Specific matters on which we are seeking your feedback

As well as seeking general feedback from you on whether the current ASF is functioning as anticipated, the XRB has identified three specific matters where we would appreciate your comments:

- (a) The importance of maintaining **close alignment between PBE Standards** (for NFP and public sector PBEs in Tiers 1 and 2) and International Public Sector Accounting Standards (**IPSAS**);
- (b) The importance of **harmonisation with Australia for Tier 2 for-profit disclosures**, and;
- (c) Whether the **PBE tier size criteria** (for NFP and public sector PBEs) need to be revisited.

A summary of each specific matter for comment (SMC) is discussed on pages 6-7 of this Summary Document.

[Press for further summary information on each SMC](#)

What is outside the scope of the targeted review of the New Zealand Accounting Standards Framework?

Matters outside of scope

The scope of this targeted review is limited to the ASF itself, being the XRB's strategy for developing and issuing accounting standards.

Below are the areas outside the scope of the targeted review.

Out of scope		Comment
⊘	The determination of who should have a statutory requirement to report in accordance with accounting standards issued by the XRB.	This is determined by the Government through legislation. It is outside of the XRB's remit.
⊘	The appropriateness of specific accounting requirements in accounting standards .	This targeted review is limited to the ASF, being the strategic framework used to develop accounting standards in New Zealand. It is not a review of the underlying individual accounting standards, or of auditing and assurance requirements. The XRB has other means for receiving feedback on individual accounting standards and assurance requirements.
⊘	Audit and assurance requirements	

[Press for further information on the XRB's rationale for the scope of the targeted review](#)



Future post-implementation review of the Tier 3 and Tier 4 PBE Accounting Requirements

The XRB is aware that some Tier 3 and Tier 4 PBEs (especially registered charities) are experiencing challenges in implementing the Simple Format Reporting Requirements introduced as a result of the ASF.

The XRB plans to conduct a separate standards-level review of the Tier 3 and Tier 4 PBE Simple Format Reporting Requirements shortly after the completion of the targeted review of the ASF.

What specific aspects of the ASF is the XRB seeking your feedback on?

The XRB has identified three specific matters for comment (SMCs). Your feedback on these SMCs will assist the XRB in considering whether refinements to the ASF are required.

SMC 1: Importance of maintaining close alignment between PBE Standards and IPSAS

PBE Standards for Tier 1 and Tier 2 NFP and public sector PBEs are currently closely based on international standards – IPSAS – issued by the International Public Sector Accounting Standards Board (IPSASB). While this strategy was effective in establishing the PBE Standards and the XRB plans to continue using IPSAS when developing future changes to PBE Standards, there are some challenges in implementing the current strategy of maintaining close alignment between PBE Standards and IPSAS moving forward.

The XRB's current strategy focuses on maintaining close alignment between PBE Standards and IPSAS and, therefore, aims to avoid making changes to PBE Standards ahead of the IPSASB issuing final standards on the same topic. However, the time taken by the IPSASB to complete its projects to develop IPSAS based on recently-issued IFRS Standards⁶ has been longer than expected. This leads to an extended period of unnecessary divergence between PBE Standards and the standards applied by for-profit entities in New Zealand (i.e. NZ IFRS). This delay is particularly problematic for “mixed groups”, which include both for-profit entities and PBEs in the same consolidated group.

Also, while the current strategy provides some flexibility to modify IPSAS requirements for New Zealand-specific considerations, there is a relatively high hurdle to jump before making such modifications. This can make it challenging to adequately reflect local considerations to ensure that PBE Standards are “fit for purpose” in New Zealand. The IPSASB's workplan now includes large public sector-specific projects. While work on these important topics is welcomed, the IPSASB is required to consider the needs of a wide range of constituents – including countries transitioning from cash accounting. Many of the IPSASB's constituents are very different to New Zealand constituents. Therefore, the needs of New Zealand constituents might not be fully or appropriately addressed by future IPSAS that address public sector-specific issues in the international environment.

Therefore, the XRB is considering whether its current strategy of maintaining close alignment between PBE Standards and IPSAS should be relaxed, to provide more flexibility in how IPSAS is used in the future when developing new or amended PBE Standards, including more flexibility on:

- the timing of when new or amended PBE Standards are introduced (e.g. not necessarily waiting for the IPSASB); and
- whether to adopt or modify the requirements of a new or amended IPSAS to reflect local considerations.

A more flexible approach is likely to result in less alignment between PBE Standards and “pure” IPSAS in the future, compared with the current strategy. Hence, the XRB is seeking feedback to help it consider whether to move to a more flexible approach.

When maintaining and enhancing the PBE Standards in the future:

Should the XRB's policy for developing PBE Standards prioritise local considerations to ensure that PBE Standards are “fit for purpose” for the New Zealand environment?

Or, is maintaining close alignment with IPSAS more important?

[Press for further information on this matter](#)

[How to have your say](#)

⁶ For example, the IPSASB is currently working on projects to develop standards based on IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*. Both IFRS 15 and IFRS 16 have recently become effective for for-profit entities.

SMC 2: Importance of harmonisation with Australia for Tier 2 for-profit disclosures

For-profit entities that are required by law to prepare financial statements in accordance with standards issued by the XRB, but do not meet the criteria for Tier 1⁷, are in Tier 2. Under the ASF, for-profit entities in Tier 2 apply NZ IFRS with Reduced Disclosure Requirements (RDR). Currently, the disclosure requirements for Tier 2 for-profit entities are harmonised with Australia. However, the Australian Accounting Standards Board (AASB) is currently considering a new approach to setting Tier 2 disclosure requirements.

Furthermore, the International Accounting Standards Board (IASB) recently began a project on small and medium entities that are subsidiaries of entities that report under IFRS Standards (“SMEs that are subsidiaries”). This project may result in a set of accounting requirements that could be suitable as a replacement for the current Tier 2 regimes in both New Zealand and Australia. However, the IASB is unlikely to complete this project before the new approach to Tier 2 disclosures is introduced in Australia.

If the developments in Australia result in some loss of trans-Tasman harmonisation for Tier 2 for-profit disclosures, the XRB will need to consider introducing similar changes in New Zealand. Another matter to consider is whether it is more cost-effective for New Zealand to delay changes until an international solution becomes available, to avoid two rounds of changes.

To inform the XRB’s approach to maintaining and enhancing Tier 2 for-profit disclosure requirements within the environment described above, the XRB is keen to receive feedback on:

How important is maintaining harmonisation with Australia for Tier 2 for-profit disclosure requirements?

[Press for further information on this matter](#)

[How to have your say](#)

SMC 3: Do the PBE tier size criteria need to be revisited?

The PBE tier size criteria have not changed since the ASF was first introduced. The XRB is therefore taking this opportunity to check-in with constituents on whether there are any unintended consequences or recent developments that would require the PBE tier size thresholds to be revisited.

PBE Tier	Tier Size Threshold
1	Annual expenses over \$30 million or has public accountability ⁸
2	Annual expenses between \$2 million and \$30 million
3	Annual expenses less than or equal to \$2 million
4	Annual operating payments less than \$125,000 (the XRB is unable to amend this)

It is important to note that the **XRB is unable to change the \$125,000 threshold for Tier 4, as this is determined by the Government in legislation.**

To allow the XRB to consider whether any refinements are required to the PBE tier size criteria, the XRB is keen to receive feedback on:

Are there any unintended consequences or recent developments that would require changes to the PBE tier size criteria?

[Press for further information on this matter](#)

[How to have your say](#)

⁷ Tier 1 includes for-profit entities that are publicly accountable (defined in footnote 8 below) and public sector for-profit entities with expenses over \$30 million.

⁸ In general, an entity is considered to have public accountability if it has issued debt or equity instruments in a public market or holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses – please refer to XRB A1 [Application of the Accounting Standards Framework](#) for the full definition.

How to have your say

The closing date for submissions is **15 November 2019**.

The XRB Board is seeking feedback on the **Questions for Respondents** raised in the Discussion Paper. You may choose to comment on all questions or select the questions which are of most interest to you.

We encourage submissions to be made by:

- completing the online submission form; or

[Press for online submission form](#)

- uploading your submission through our secure webpage at <https://www.xrb.govt.nz/reporting-requirements/targeted-review-of-the-accounting-standards-framework>

Please refer to the Discussion Paper for other methods to make a submission and further information on the submission process.

Next steps

At the end of the public consultation period, the XRB Board will analyse the submissions received and consider whether certain aspects of the ASF require refinement.

Any refinements to the ASF would be issued for public consultation as a separate exposure draft. The XRB would also need to seek approval from the Minister of Commerce and Consumer Affairs for any amendments to the ASF.

[Press for further information on the next steps](#)

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EXTERNAL REPORTING BOARD

Te Kāwai Ārahi Pūrongo Mōwaho

Policy Approach to Developing the Suite of PBE Standards

Originally Issued September 2013

Updated December 2018

Approved by the XRB Board for application by the New Zealand
Accounting Standards Board from 1 January 2019

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Preface

1. In May 2013, the New Zealand Accounting Standards Board (NZASB) issued the PBE Standards – a new suite of standards for Tier 1 and Tier 2 public benefit entities. That initial set of standards, developed in accordance with the External Reporting Board's (XRB Board's) *New Zealand Accounting Standards Framework*, can be regarded as the "foundation suite" of PBE Standards. It is expected that the foundation suite will be enhanced and developed over time.
2. This *Policy Approach to Developing the Suite of PBE Standards* (the PBE Policy Approach) has been developed by the XRB Board and the NZASB to assist the NZASB in making consistent decisions when developing the suite of PBE Standards i.e. when considering enhancements and developments to the suite of PBE Standards in the future.
3. While primarily based on International Public Sector Accounting Standards, the foundation suite of PBE Standards was developed using a range of source standards: International Public Sector Accounting Standards, selected NZ IFRSs and domestic standards developed within New Zealand. Developments are likely to arise from each of these sources as changes are made to the international standards and as issues specific to New Zealand emerge.
4. Without a policy such as this, it would be possible for significant fluctuations in the NZASB's approach to developing the suite of PBE Standards to emerge over time. This PBE Policy Approach therefore provides constituents with some certainty about the likely future direction of the suite of PBE Standards, and provides a basis for assessing proposals for changes to the PBE Standards as they are issued by the NZASB. It also assists constituents to understand the likely implications of future changes to the suite of PBE Standards for public benefit entities (PBE) groups containing for-profit entities (commonly referred to as "mixed groups").

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Summary

The Development Principle

In accordance with the *New Zealand Accounting Standards Framework*, the primary purpose of developing the suite of PBE Standards is to better meet the needs of the PBE user groups (as a whole). In considering whether to initiate a development, the NZASB shall consider the following factors:

- (a) Whether the potential development will lead to higher quality financial reporting by public sector PBEs and not-for-profit (NFP) PBEs, including public sector PBE groups and NFP groups, than would be the case if the development was not made; and
- (b) Whether the benefits of a potential development will outweigh the costs, considering as a minimum:
 - (i) *relevance to the PBE sector as a whole*: for example, where the potential development arises from the issue of a new or amended IFRS[®] Standard, whether the type and incidence of the affected transactions in the PBE sector are similar to the type and incidence of the transactions addressed in the change to the NZ IFRS;¹
 - (ii) *relevance to the not-for-profit or public sector sub-sectors*: whether there are specific user needs in either of the sub-sectors, noting that IPSAS are developed to meet the needs of users of the financial reports of public sector entities;
 - (iii) *coherence*: the impact on the entire suite of PBE Standards (e.g. can the change be adopted without destroying the coherence of the suite);
 - (iv) *the impact on mixed groups*; and
- (c) In the case of a potential development arising from the issue of a new or amended IFRS Standard, the IPSASB's likely response to the change (e.g. whether the IPSASB is developing an IPSAS on the topic).

Application of the Development Principle

The PBE Policy Approach includes a series of rebuttable presumptions in applying the development principle:

- (a) The NZASB will adopt a new or amended IPSAS.
- (b) The NZASB will not include an IFRS Standard that the IASB has issued on a new topic in the suite of PBE Standards unless the IPSASB addresses the issue.
- (c) In considering the impact on PBE Standards from a change to an NZ IFRS that relates to a topic for which there is an existing PBE Standard based on an IPSAS, the NZASB will consider the factors in the development principle in determining whether to initiate the development of a related change to the PBE Standards ahead of the IPSASB. Particular emphasis in this case needs to be placed on the IPSASB's likely response to the change and whether the IPSASB will address the change in an acceptable time frame.
- (d) The NZASB will not incorporate minor amendments to NZ IFRS into the equivalent PBE Standard in advance of the IPSASB considering the change. However, the

¹ This policy refers to the work of the International Accounting Standards Board (IASB) and uses registered trademarks of the IFRS Foundation (for example, IFRS[®] Standards, IFRIC[®] Interpretations and IASB[®] papers).

NZASB may issue an exposure draft that proposes the incorporation of these minor amendments into the equivalent PBE Standards at the same time as the IPSASB issues an exposure draft that proposes the incorporation of these minor amendments into IPSAS.

1. Introduction

1. The PBE Policy Approach addresses the NZASB's approach to developing and enhancing the suite of PBE Standards. References to PBEs in this Policy include references to all PBEs: public sector PBEs and NFP PBEs, and public sector PBE groups and NFP PBE groups.
2. Triggers for possible changes to the PBE Standards are likely to come from three sources:
 - (a) the IPSASB issuing a new IPSAS or a change to an existing IPSAS (section 4.1);
 - (b) the IASB issuing a new IFRS Standard or a change to an existing IFRS Standard (section 4.2); and
 - (c) domestic developments within New Zealand, including both exogenous events such as changes to the legislative framework and endogenous events where the NZASB considers that developments are warranted (section 4.3).
3. The PBE Policy Approach considers the implications of the *New Zealand Accounting Standards Framework* for developing the suite of PBE Standards and identifies an approach to be taken for each of the triggers for possible changes to PBE Standards.

2. Basis for Development of PBE Standards

4. The multi-standards approach in the *New Zealand Accounting Standards Framework* (issued in April 2012 and updated in December 2015) is designed to better meet the needs of users of the financial statements of PBEs.² Accounting Standards for Tier1 and Tier 2 entities are based on IPSAS.
 57. An explicit part of the multi-standards approach is the adoption of a set of accounting standards for PBEs other than one based on IFRS.
 58. The only set of international accounting standards, other than IFRS, is IPSAS. IPSAS provides a better basis for PBE reporting for entities in Tier 1 and Tier 2 than does IFRS because it is developed for a wider set of users, notably service recipients as well as resource providers.
 59. The XRB also considers that IPSAS is a credible set of standards. The historical concerns about IPSAS had been the lack of a conceptual framework and the lack of independent governance arrangements for IPSASB (at least compared to those applying to the IASB). These concerns have been addressed by both the IPSASB and the International Federation of Accountants (IFAC – the IPSASB’s parent body). The IPSASB issued its conceptual framework General Purpose Financial Reporting by Public Sector Entities in late 2014 and an independent governance body for the IPSASB has been established for the first time in 2015.
 60. However, the XRB continues to consider that it is premature to adopt “pure” IPSAS (in the way that NZ IFRS reflects “pure” IFRS). This is because, among other matters, the IPSAS is developed for public sector entities and the requirements are not always appropriate for not-for-profit entities or do not necessarily fit with the New Zealand regulatory environment. Moreover, IPSAS does not currently represent a complete set of standards. Therefore, a set of PBE Standards has been developed that uses IPSAS as their base. PBE Standards modify IPSAS for any recognition, measurement or disclosure matters considered inappropriate in New Zealand. Such modifications are only made where the IPSAS requirement in question has a material impact on the financial position or performance being reported, and that impact would adversely detract from the financial statements’ usefulness to users.
 61. Since the adoption of the initial Accounting Standards Framework, the XRB, in conjunction with its sub-Board, the New Zealand Accounting Standards Board (NZASB), has developed (and issued in September 2013) a *Policy Approach to Developing the Suite of PBE Standards* [footnote omitted]. The Policy Approach establishes an approach, based on a “development principle” and a series of “rebuttable presumptions”, which are used by the NZASB to determine whether, and when, to make changes to PBE Standards.
 62. PBE Standards include other relevant standards (including domestic standards) appropriate for New Zealand and/or to address topics not covered in IPSAS.
 63. The PBE Standards are also modified to make them relevant, applicable and understandable to the not-for-profit sector preparers and users. Some modification is desirable to enhance their usefulness in the not-for-profit context.

(*New Zealand Accounting Standards Framework*, paragraphs 57–63)
5. The PBE Policy Approach uses the term “development” to encompass any change to the suite of PBE Standards.
6. In considering the appropriateness of potential developments of the suite of PBE Standards, it is necessary to consider these developments in the context of the *New Zealand Accounting Standards Framework*, including the impact of any

² The New Zealand Accounting Standards Framework is available at <https://www.xrb.govt.nz/reporting-requirements/accounting-standards-framework/>

developments on the quality of the financial reporting arising from those standards and the trade-off between the benefits of improvements in the quality of the resulting financial reports and the associated costs.

2.1 Quality of Financial Reporting

7. The suite of PBE Standards is designed to meet users' needs by providing high quality financial reporting by PBEs. It follows that any development of PBE Standards should aim to improve the quality of financial reporting. The quality of financial reporting relies on meeting the needs of users of PBE general purpose financial reports (including financial statements), while endeavouring to ensure that the costs arising from a development do not outweigh the benefits.
8. In this context, high quality financial reporting is assessed by reference to the conceptual framework for PBEs (as it applies from time to time), with primary emphasis on the objective of financial reporting and then the qualitative characteristics. A standard is more likely to lead to higher quality financial reporting if it adheres closely to the conceptual framework.
9. The categories of users of financial statements of PBEs and for-profit entities are different. Paragraph 1.2 of the New Zealand Equivalent to the IASB *Conceptual Framework for Financial Reporting* (2018 NZ *Conceptual Framework*) identifies users of financial statements as suppliers of resources to the entity, and notes that the decisions that they make are related to providing resources to the entity.
10. In contrast, paragraphs 2.1–2.4 of the *PBE Conceptual Framework* (the New Zealand equivalent of the IPSASB *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*) considers a wider group of users of financial reports, being resource providers and service recipients and their representatives., and notes that information is needed for both accountability and decision-making purposes.
11. A development of the suite of PBE Standards will improve the quality of financial reports prepared in compliance with PBE Standards if it improves the accounting for specific transactions by better meeting the objective of financial reporting and the associated qualitative characteristics of financial reporting.
12. Further, high quality financial reporting depends on consistent treatment of similar transactions. For example, it would usually be inappropriate to require different measurement for similar liabilities in similar circumstances. As a result, any development of PBE Standards (including the conceptual framework for PBEs) should ensure that the suite is maintained as a coherent whole.
13. It follows that any developments should ensure that the needs of users are better met than they were prior to the development. Alternatively, the cost-benefit test (see next section) may be met where the needs of users are equally as well served, with a consequent benefit in some other way such as a reduction in the costs of preparing the financial statements.

2.2 Costs and Benefits

14. In considering a potential development of the suite of PBE Standards, the primary purpose and benefit is to improve the information provided to users of PBE financial reports.
15. Benefits need to be considered in relation to the suite of PBE Standards as a whole, in addition to the implications for a specific area of financial reporting. The benefit of aligning the PBE Standards with NZ IFRS to the extent possible is that this will reduce differences between the financial statements of PBEs and for-profit entities. This benefit is particularly relevant to entities that are members of mixed groups and users of PBE financial statements whose familiarity with financial statements arises from experience in the for-profit sector.³ However, for other preparers that are not part of a mixed group, there may be additional preparation costs as a result of changes in accounting standards that might not otherwise arise.
16. The PBE Standards are largely based on IPSAS in accordance with the *New Zealand Accounting Standards Framework* and, therefore, careful consideration is required before making any change to a PBE Standard based on an IPSAS in circumstances other than as a consequence of the IPSASB issuing a new or amended IPSAS (as discussed further below in paragraph 29). In addition, the benefit of using IPSAS to the extent possible is that IPSAS are a suite of standards that comprise a coherent package. It also reduces standard-setting costs as the IPSASB documents are readily available for application in New Zealand with little additional work. Reducing the time spent on setting the base standards releases resources for working with the international standard setters and for necessary domestic projects.
17. In developing a coherent suite of PBE Standards, it will generally be relatively low cost to add additional guidance for all PBEs, or for sub-groups of PBEs such as NFP entities. However, it is expected that recognition and measurement requirements will be common to all PBEs. Further, using recognition and measurement requirements developed from a number of sources creates the potential for inconsistencies within the suite of PBE Standards, such as applying different measurement requirements to similar liabilities. Care should be taken to minimise the impact of such inconsistencies, if they cannot be eliminated.
18. At times, there is a tension between reducing the costs borne by preparers within mixed groups – that is the elimination of differences between PBE Standards and NZ IFRS that are not sector specific – and improving the suite of PBE Standards taken as a whole. This Policy takes the view that reducing the costs on preparers within mixed groups should be considered to the extent that these costs can be reduced whilst meeting the needs of the wider range of users of financial statements of public sector PBEs and NFP PBEs (including public sector and NFP groups) through a complete and coherent suite of PBE Standards.

³ For the purposes of the PBE Policy Approach, a mixed group is a PBE group that includes at least one material for-profit subsidiary where that for-profit subsidiary applies accounting policies that differ from those of the mixed group and that may need to be adjusted under the consolidation standards.

3. The Development Principle

19. In accordance with the *New Zealand Accounting Standards Framework*, the primary purpose of developing the suite of PBE Standards is to better meet the needs of PBE user groups (as a whole). In considering whether to initiate a development, the NZASB shall consider the following factors:
- (a) Whether the potential development will lead to higher quality financial reporting by public sector PBEs and NFP PBEs, including public sector PBE groups NFP PBE groups, than would be the case if the development was not made; and
 - (b) Whether the benefits of a potential development will outweigh the costs, considering as a minimum:
 - (i) *relevance to the PBE sector as a whole*: for example, where the potential development arises from the issue of a new or amended IFRS Standard, whether the type and incidence of the affected transactions in the PBE sector are similar to the type and incidence of the transactions addressed in the change to the NZ IFRS;
 - (ii) *relevance to the NFP or public sector sub-sectors*: whether there are specific user needs in either of the sub-sectors, noting that IPSAS are developed to meet the needs of users of the financial reports of public sector entities;
 - (iii) *coherence*: the impact on the entire suite of PBE Standards (e.g. can the change be adopted without destroying the coherence of the suite);
 - (iv) *the impact on mixed groups*; and
 - (c) In the case of a potential development arising from the issue of a new or amended IFRS Standard, the IPSASB's likely response to the change (e.g. whether the IPSASB is expected to develop an IPSAS on the topic in an acceptable time frame).
20. The NZASB will need to exercise its judgement in balancing the factors in the development principle because, in many cases, there will need to be a trade-off between these factors. This policy provides a basis for making such a trade-off decision: it cannot replace the application of judgement by the NZASB with a series of bright-line rules.

4. Application of the Development Principle

21. The following sections are designed to assist in the application of the factors in the development principle. They consider, in turn, potential developments of the suite of PBE Standards that might arise from developments in IPSAS and NZ IFRS as well as addressing issues that might arise within New Zealand. Although the PBE Policy Approach treats each of these developments separately, it is likely that specific developments will need to be considered from a number of perspectives. For example, the NZASB may have planned to continue to update PBE IAS 34 *Interim Financial Reporting* in line with developments of NZ IAS 34 *Interim Financial Reporting* to retain consistent interim reporting across all sectors (section 4.2). However, if the IPSASB were to issue a standard addressing interim reporting, this new IPSAS would be considered as a development resulting from an enhancement to IPSAS (section 4.1).

4.1 New or Amended IPSAS

22. There is a rebuttable presumption that the NZASB will adopt a new or amended IPSAS.

23. This rebuttable presumption is based on the expectation that the IPSASB has considered the needs of the wide range of users of public sector financial statements in developing and enhancing the suite of IPSAS. Therefore, it is expected that such changes will lead to higher quality financial reporting by PBEs in New Zealand and the factors in the development principle are presumed to be met.
24. Depending on the circumstances, it may be appropriate to apply one of the following approaches when a new or amended IPSAS is issued:
- (a) Amend a recently issued or newly amended IPSAS in the process of adoption in New Zealand. Examples of possible amendments include:
 - (i) improving the quality of the IPSAS in the New Zealand context by, for example, adding guidance or making changes to enhance the clarity and consistency of the requirements to enable public sector PBEs and NFP PBEs to apply the standard consistently;
 - (ii) adding guidance to assist NFP PBEs in applying the standard, given that the standard has been developed for application by public sector PBEs;
 - (iii) amending as necessary to maintain the coherence of the suite of PBE Standards;
 - (iv) excluding options that are not relevant in the New Zealand context; or
 - (v) amending the scope of an IPSAS if the IPSAS conflicts with a legislative requirement, or a legislative requirement addresses the same issue for public sector entities. However, in these circumstances, it may be appropriate to adopt the IPSAS for NFP PBEs.
 - (b) Rebut the presumption in paragraph 22 and thereby not adopt a new or amended IPSAS, or part(s) thereof. Given that PBE Standards are based

primarily on IPSAS, a decision to rebut the presumption is expected to occur only in exceptional circumstances. Examples of such circumstances include where the NZASB has significant concerns that, in the New Zealand context:

- (i) adoption of a new or amended IPSAS would not be either appropriate or relevant (based on the development principle); and
 - (ii) the costs of adoption of a new or amended IPSAS would outweigh the benefits.
25. In the event that the presumption to adopt a new or amended IPSAS is rebutted, this will require the NZASB to report to the XRB Board:
- (a) its decision and rationale for the decision; and
 - (b) what, if any, action(s) it plans to take in relation to the new or amended IPSAS, for example, whether a domestic standard will be developed and whether parts of the new or amended IPSAS will be incorporated into that domestic standard.

4.2 New or Amended NZ IFRS

26. New or amended NZ IFRS will require the NZASB to consider whether to initiate a development of the PBE Standards in the following circumstances:⁴
- (a) an IFRS Standard that the IPSASB has used as the basis for an IPSAS is changed;
 - (b) the IASB issues an IFRS Standard on a new topic; and
 - (c) there is a change to an NZ IFRS that has been used as the basis for a PBE Standard.⁵

4.2.1 An IFRS Standard that the IPSASB has used as the basis for an IPSAS is changed

27. As noted earlier, the PBE Standards are primarily based on IPSAS. In turn, many IPSAS are primarily based on IFRS Standards. Examples of such standards are PBE IPSAS 16 *Investment Property* and PBE IPSAS 17 *Property, Plant and Equipment*, which are based on IAS 40 *Investment Property* and IAS 16 *Property, Plant and Equipment*, respectively. Accordingly, there are likely to be many instances in which a new or amended NZ IFRS relates to a topic covered by an existing IPSAS standard that has been incorporated into the PBE Standards.

⁴ An amendment to an NZ IFRS can fall into more than one of the above categories, for example, an NZ IFRS on a new topic might also result in changes to other NZ IFRS that fall into category (a) and/or (c).

⁵ NZ IFRS that the NZASB has included in the suite of PBE Standards are:

- PBE IFRS 3 *Business Combinations*
- PBE IFRS 4 *Insurance Contracts*
- PBE IFRS 5 *Non-current Assets Held For Sale and Discontinued Operations*
- PBE IAS 12 *Income Taxes*
- PBE IAS 34 *Interim Financial Reporting*
- NZ IFRIC 12 *Service Concession Arrangements* and NZ-SIC 29 *Service Concession Arrangements: Disclosures* (which are the basis for PBE FRS 45 *Service Concession Arrangements: Operator*).

28. **In considering a change to an NZ IFRS that relates to a topic for which there is an existing PBE Standard based on an IPSAS, the NZASB will consider the factors in the development principle in determining whether to initiate a development of the PBE Standards. Particular emphasis in this case needs to be placed on the IPSASB's likely response to the change, including whether the IPSASB is expected to address the change in an acceptable timeframe.**
29. Given the presumption in paragraph 22 that any IPSAS issued by the IPSASB will be included in the PBE Standards, there are considerable potential costs and risks associated with "getting ahead of the IPSASB". Therefore, the NZASB needs to decide whether to develop a PBE Standard ahead of the IPSASB or to wait for the IPSASB's response. If the issue is already on the IPSASB's active work plan, the NZASB would normally wait for the IPSASB to complete its work, unless the NZASB is of the view that there is an urgent need for action in New Zealand or the NZASB is of the view that the IPSAS is unlikely to be appropriate in the New Zealand context.
30. **Furthermore, in the case of limited-scope amendments or amendments to an NZ IFRS that the NZASB considers are minor, there is a rebuttable presumption that the change should not be incorporated into the equivalent PBE Standard in advance of the IPSASB considering the change.** This is because minor amendments are less likely to meet the cost-benefit test, particularly when the potential costs and risks associated with getting ahead of the IPSASB are taken into account. However, the NZASB may issue an exposure draft that proposes the incorporation of these minor amendments into the equivalent PBE Standards at the same time as the IPSASB issues an exposure draft that proposes the incorporation of these minor amendments into IPSAS.
31. Where there is a major change to an IFRS Standard for which there is an existing IPSAS and where the IPSASB is unlikely to address the change in an acceptable time frame, the NZASB could either develop a domestic modification to the PBE Standard or assist the IPSASB to develop an IPSAS. Options for assisting the IPSASB include offering to provide staff resources for the IPSASB or partnering with the IPSASB to update a specific IPSAS in the light of the major change. It may be more effective to assist the IPSASB because any uncertainties about the IPSASB's approach to the issue will be resolved sooner rather than later. However, the level of effort required to develop an IPSAS based on an IFRS Standard for international use is likely to be significantly higher than developing a PBE Standard based on an IFRS Standard or its equivalent NZ IFRS for use in New Zealand. The IPSASB's due process, multi-constituency reach and less regular meetings leads to a standards development process for the IPSASB that is more time consuming and complex.

4.2.2 The IASB issues an IFRS Standard on a new topic

32. An example of a new topic is where the IASB is considering issuing a standard on rate-regulated activities.

33. There is a rebuttable presumption that the NZASB will not include an NZ IFRS that the IASB has issued on a new topic in the suite of PBE Standards unless the IPSASB addresses the issue.

34. As noted in paragraph 26, some NZ IFRS were included in the suite of PBE Standards to maintain current practice until the IPSASB addresses the related issues. This rationale does not apply to an NZ IFRS on a new topic. Also, given the PBE Standards are primarily based on IPSAS in accordance with the *New Zealand Accounting Standards Framework*, adding further PBE Standards based on NZ IFRS is unlikely to be consistent with the objectives of that Framework.
35. In considering whether to rebut the presumption, the NZASB should consider whether the new standard both leads to a major improvement in the quality of financial reporting and fills a gap in the suite of PBE Standards (as distinct from a gap in NZ IFRS). This is unlikely to arise.

4.2.3 An NZ IFRS that the NZASB has included in the PBE Standards is changed

36. The NZASB has included selected NZ IFRS in the suite of PBE Standards (see footnote 7) in order to maintain current practice until the IPSASB addresses the related issues.
- 37. In considering a change to an NZ IFRS that is included in the suite of PBE Standards, the NZASB shall consider the factors in the development principle in determining whether to initiate a development of the PBE Standards.**
38. However, in situations where there is no equivalent IPSAS on the topic and the IPSASB is not expected to create such a standard in the foreseeable future, the IPSASB's likely response to the change would be less relevant. This will impact on the overall assessment of the costs and benefits of including the NZ IFRS development in the PBE Standards. This is because the potential problems associated with "getting ahead of the IPSASB" (as discussed in paragraph 29 above) are less likely to arise.
39. An implication of this policy is that those PBE Standards based on an NZ IFRS (see footnote 7) may need to be updated or replaced to align with the current equivalent NZ IFRS.

4.3 Domestic Developments

40. Domestic developments include developing standards to meet specific requirements in New Zealand.
41. The suite of PBE Standards contains standards directly addressing issues relevant to New Zealand, including PBE FRS 42 *Prospective Financial Statements*, PBE FRS 43 *Summary Financial Statements* and PBE FRS 48 *Service Performance Reporting*. Further domestic standards may be developed where a need arises when an issue of importance in New Zealand is not addressed in a standard issued by the IPSASB (section 4.1) or the IASB (section 4.2).

- 42. In determining whether to initiate the development of a domestic standard for inclusion in the PBE Standards, the NZASB will consider the factors in the development principle. Assuming the NZASB determines that the development of a domestic standard would improve the quality of financial reporting by PBEs, the NZASB will first consider whether there is an international pronouncement addressing the relevant issue that is applicable in the New Zealand context.**
43. The *New Zealand Accounting Standards Framework* presumes that New Zealand will be a standards taker rather than a standards maker whenever possible, for a range of reasons, including:
- (a) the quality derived by an international due process;
 - (b) the prospect of international comparability; and
 - (c) the limited resources available for the domestic development of standards.
44. It follows that the NZASB will develop domestic standards or guidance that result in a material improvement in information available to users of financial statements when:
- (a) there is no other source of material available internationally; or
 - (b) the available international guidance is not targeted specifically towards addressing New Zealand issues.



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

Issued by the External Reporting Board

August 2014

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

This Explanatory Guide is an explanatory document and has no legal status. It was issued in August 2014 and [has been periodically updated](#)~~updated in December 2017 and June 2018.~~ [The most recent update was in 2019.](#)

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ISBN 978-1-927292-64-8

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INTRODUCTION¹

- 1 The External Reporting Board (XRB) is an independent Crown Entity ~~with continued existence under section 11 of the Financial Reporting Act 2013,~~ and is subject to the provisions of the Crown Entities Act 2004. As outlined in the Financial Reporting Act 2013, the XRB is responsible for:
 - (a) financial reporting strategy;
 - (b) developing and issuing accounting standards and authoritative notices;²
 - (c) developing and issuing auditing and assurance standards; and
 - (d) liaising with similar international or national organisations.
- 2 Explanatory Guide A1 *Guide to the Application of the Accounting Standards Framework* (EG A1) outlines the reporting requirements for entities that have a statutory obligation (or that elect) to prepare general purpose financial reports in accordance with standards issued by the XRB. This Explanatory Guide explains how the XRB develops its accounting standards and authoritative notices and how constituents can contribute to the standard-setting process.
- ~~— In this Explanatory Guide references to standards generally include amending standards, interpretations, amending interpretations and authoritative notices, as the same process applies to all of them.~~
- 23 ~~In this Explanatory Guide the organisation is referred to as the XRB and the governance group is referred to as the XRB Board.~~

ROLES OF THE XRB BOARD AND THE NZASB

- 34 ~~The XRB Board³ has delegated authority to established a sub-board, the New Zealand Accounting Standards Board (NZASB), a sub-board of the XRB. The NZASB is responsible for developing and issuing accounting standards and authoritative notices. These accounting standards and authoritative notices together form generally accepted accounting practice (GAAP). The NZASB operates under delegated authority from the XRB Board.~~
- 4 ~~Although responsibility for setting accounting standards and authoritative notices has been delegated to the NZASB, The XRB Board is responsible for ensuring that appropriate due process occurs, in the promulgation of standards and authoritative notices. Due process is an essential part of an effective standard-setting process, and is also a statutory obligation. The XRB Board considers due process to be important to achieving the XRB's outcome goal of the establishment of accounting and assurance standards that engender confidence in New Zealand financial reporting, assist entities to compete internationally and enhance entities' accountability to stakeholders.~~
- 5 The XRB Board has therefore established ~~a minimum set of~~ due process requirements to be followed by the NZASB ~~in carrying out its responsibilities. Those requirements are outlined in this Explanatory Guide. This Explanatory Guide has been published so that the standard-setting process is clear and transparent to constituents and to indicate where constituents may contribute to the process.~~

THE NZASB'S STANDARD-SETTING PROCESS

The standard-setting environment

- 6 ~~The XRB Board has established an New Zealand Accounting Standards Framework is based on a multi-standards, multi-tier approach, that requires the NZASB to set standards for different sectors and different sized entities, based on a multi-standards, multi-tier approach. The NZASB issues standards appropriate to each tier in each sector for entities meeting the necessary criteria to be in a particular tier.⁴ Under the multi-standards, multi-tier approach, XRB A1 *Application of the Accounting Standards Framework* and EG A1 explain how an entity identifies the applicable accounting requirements. The NZASB operates within the~~

¹ This Explanatory Guide refers to the work of the International Accounting Standards Board (IASB) and uses registered trademarks of the IFRS Foundation (for example, IFRS® Standards, IFRIC® Interpretations and SIC® Interpretations).

² Under section 12(e) of the Financial Reporting Act 2013, "authoritative notices" may be issued by the XRB Board for the purposes of the definition of generally accepted accounting practice.

³ In this Explanatory Guide the organisation is referred to as the XRB and the governance group is referred to as the XRB Board.

⁴ The various versions of Standard XRB A1 *Application of the Accounting Standards Framework* currently in effect sets out, among other matters, the tier structure, the tier criteria, the applicable standards and guidance on movement between tiers for relevant entities.

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New Zealand Accounting Standards Framework in developing and issuing accounting standards and authoritative notices.

- 7 The standards issued by the NZASB issues separate sets of standards for the for-profit sector and for the public benefit entity (PBE) sector, are listed below.

<u>Reporting Tiers</u>	<u>Standard(s)</u>
<u>Tier 1 For-profit Accounting Requirements</u>	<u>NZ IFRS⁵</u>
<u>Tier 2 For-profit Accounting Requirements</u>	<u>NZ IFRS RDR</u>
<u>Tier 1 PBE Accounting Requirements</u>	<u>PBE Standards</u>
<u>Tier 2 PBE Accounting Requirements</u>	<u>PBE Standards RDR</u>
<u>Tier 3 PBE Accounting Requirements</u>	<u>PBE Simple Format Reporting – Accrual (Not-For-Profit)</u> <u>PBE Simple Format Reporting – Accrual (Public Sector)</u>
<u>Tier 4 PBE Accounting Requirements</u>	<u>PBE Simple Format Reporting – Cash (Not-For-Profit)</u> <u>PBE Simple Format Reporting – Cash (Public Sector)</u>

- 8 The standards that comprise each set of accounting requirements are listed in appendices to XRB A1. The steps in the standard-setting process depend on the sector and tier, and whether the standard in question is based on an international pronouncement, or is a domestic standard.

- (a) The Tier 1 and Tier 2 For-profit Accounting Requirements comprise a suite of standards. Most of these standards are based on pronouncements issued by the International Accounting Standards Board (IASB). These standards are updated regularly so that Tier 1 for-profit entities can assert compliance with IFRSs (per paragraph 16 of NZ IAS 1 *Presentation of Financial Statements*). The international due process forms an integral part of the NZASB's due process. New Zealand constituents have an opportunity to comment on proposals for new or amended IFRS Standards at the same time as international constituents (see Process 1). There are also some domestic standards in this suite of standards (see Process 4).
- (b) The Tier 1 and Tier 2 PBE Accounting Requirements comprise a suite of standards. Most of these standards are based on pronouncements issued by the International Public Sector Accounting Standards Board (IPSASB). These standards are also updated regularly. New Zealand constituents have an opportunity to comment on any proposals for new or amended IPSAS and then again when there are any proposals for new or amended PBE Standards (see Process 2). There are also some PBE Standards that are based on IASB pronouncements (see Process 3) and some domestic standards in this suite of standards (see Process 4).
- (c) The Tier 3 and Tier 4 PBE Accounting Requirements are developed domestically and updated periodically (see Process 4).

- 6 In the for-profit sector, the NZASB issues For-profit Accounting Standards, which comprise:

- (a) Accounting standards based on pronouncements issued by the International Accounting Standards Board (IASB);
- (b) Financial Reporting Standards (FRSs); and
- (c) Authoritative notices.
- (d) Accounting standards based on pronouncements issued by the IASB comprise the New Zealand equivalent pronouncements to International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and International Financial Reporting Standards Interpretations (IFRICs and SICs) issued by the IASB and the IFRS Interpretations Committee.

- 7 FRSs are New Zealand specific standards. They are developed domestically.

⁵ New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and IFRSs are defined in NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* and include standards and interpretations.

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89 In addition to issuing standards ~~In the for-profit sector,~~ the NZASB ~~also~~ issues ~~New Zealand equivalents to the IASB's Conceptual Framework~~ as ~~Authoritative Notices~~. ~~The steps in issuing a conceptual framework depend upon the sector to which it relates (see Process 1 and Process 2).~~

9 In the PBE sector, the NZASB issues PBE Accounting Standards, which comprise:

- (a) ~~PBE Standards based on International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board (IPSASB);~~
- (b) ~~PBE Standards based on selected IFRSs, IASs, IFRICs and SICs issued by the IASB and the IFRS Interpretations Committee;~~
- (c) ~~PBE FRSs and Simple Format Reporting Standards (SFR Standards) that are developed domestically; and~~
- (d) ~~Authoritative notices.~~

10 In the PBE sector, the NZASB issues the PBE Conceptual Framework as an Authoritative Notice.

- (a) ~~The NZASB uses the following one of four different processes to develop and issue all the standards and authoritative notices, in the two sectors. The specific process applied depends on the type of pronouncement, its source, and relevant circumstances. The four processes set out in this Explanatory Guide and the pronouncements that they relate to are summarised in the following table:~~

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

110 The NZASB occasionally issues other documents, such as explanatory guides. These are usually issued without formal public consultation because they contain explanatory material, have no legal status and ~~are~~ their application is not mandatory.

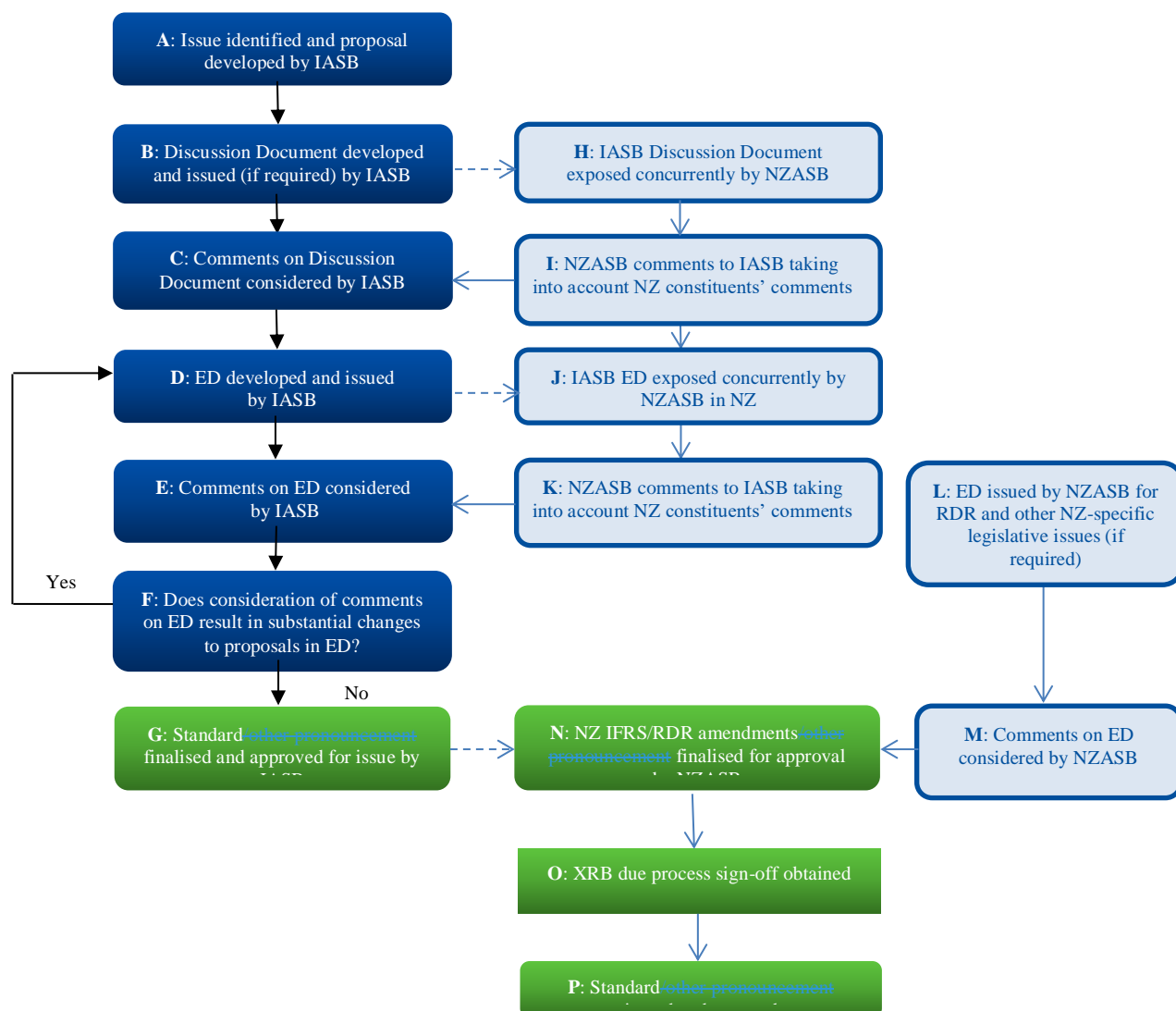
111 In addition to the due process followed by the NZASB in developing and issuing standards ~~and authoritative notices~~, transparency of the NZASB's standard-setting role is enhanced by:

- (a) the technical sessions of NZASB meetings being open to the public;
- (b) Furthermore, NZASB agenda papers being ~~are~~ available on the XRB's website; and
- ~~(a)(c)~~ minutes of meetings being ~~are~~ made ~~available once they have been approved.~~

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

12 The process the NZASB follows for developing and issuing ~~F~~for-profit ~~A~~ccounting ~~S~~tandards based on IASB pronouncements is set out in Figure 1. This Figure should be read in conjunction with the commentary on Process 1. The steps in the commentary refer to the steps in Figure 1.

Figure 1: Process for ~~F~~for-profit ~~A~~ccounting ~~S~~tandards based on IASB pronouncements



Steps A–G

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

- (a) will adopt all IFRS Standards;

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- (b) will not amend ~~IFRS-the~~ recognition and measurement requirements in IFRS Standards; and
- (c) will not reduce ~~IFRS-the~~ disclosure requirements in IFRS Standards.
- 14 ~~Process 1 incorporates The process the NZASB follows for developing and issuing For-profit Accounting Standards based on IASB pronouncements is aligned with the IASB's international due process for issuing IFRS Standards (and other pronouncements).~~⁶ ~~Steps A to G in Figure 1 represent the IASB's international due process for issuing its pronouncements. Although the IASB's The IFRS Foundation's international due process is an important component critical aspect of the overall standard-setting process in New Zealand, and is relied on by the NZASB.~~ Process 1 focuses on the steps the NZASB takes when issuing pronouncements ~~for for-profit entities based on IASB pronouncements. The IASB's international due process principles that apply to the IASB and the IFRS Interpretations Committee are~~ set out in the ~~IASB and IFRS Foundation Interpretations Committee Due Process Handbook (February 2013) and in the IASB Preface to International Financial Reporting IFRS Standards.~~⁷
- 15 The XRB Board and the NZASB consider that commenting on IASB documents as well as contributing to the development of those documents, where appropriate, is important to support the work of the IASB and to ensure that ~~the standards (or other pronouncement)~~ issued by the IASB (and subsequently adopted in New Zealand) ~~are~~ appropriate for New Zealand. International pronouncements per se are not issued in New Zealand. ~~Accordingly, the NZASB's involvement in the process of issuing international pronouncements ceases when the IASB's exposure draft (ED) process is completed.~~

Steps H–K

- 16 When the IASB seeks public comment on issues a ~~consultation~~ document (such as an ED of a new or amending standard or a discussion document),⁸ the NZASB notifies ~~constituents~~ interested parties that the document has been issued and is available open for comment in New Zealand. In the case of proposals for new or amending standards there is generally only one consultation phase during which time both international constituents and New Zealand constituents have the opportunity to comment on the proposals. In the case of proposals in discussion papers there will generally be one or more subsequent phases of consultation. Where appropriate, the IASB or the NZASB arranges forums to enable discussion and exchanges of opinion on the proposals set out in the document.
- ~~17 Constituents' comments are generally sought on:~~
- (a) ~~the proposals set out in the international ED or discussion document; and~~
- (b) ~~any regulatory issues or other factors specific to the New Zealand economic and legal environment that could affect implementation of the proposals.~~
- ~~18 The notification that an international ED has been issued also notes for constituents that if no modifications to the IASB's ED are identified by the NZASB or by constituents, and the IASB finalises the ED as it is, the IFRS when issued will be adopted for Tier 1 for-profit entities in New Zealand without further exposure (subject to any further due process from the IASB).~~
- ~~19~~¹⁷ The IASB's ~~international~~ due process comment period varies depending on the complexity of the topic, but is typically 120 days.⁹ Proposed changes that result in only minor amendments to an ~~issued international IFRS~~ Standard may be progressed more quickly.
- ~~20~~¹⁸ Anyone can ~~send~~ comments to the IASB on ~~their~~ its documents. ~~As the national standard setter, the NZASB sends comments to the IASB if it considers it appropriate to do so.~~¹⁰ Constituents can comment directly to the IASB or to the NZASB. ~~If constituents' comments are made directly to the IASB, the NZASB appreciates receiving a copy so it can take the comments into account when developing its own comments to the IASB. All comments addressed to the NZASB are included on the XRB website unless a constituent requests otherwise, their comments are included on the XRB's website.~~ However, all comments the NZASB receives are subject to the Official Information Act 1982 and the Privacy Act 1993.

⁶ Other pronouncements issued by the IASB include the IASB's Conceptual Framework and amendments to its standards.

⁷ Available at <https://www.ifrs.org/groups/due-process/oversight-committee/pages/due-process-handbook/>

⁸ Discussion documents issued by the IASB may include discussion papers and requests for views.

⁹ The concurrent comment period in New Zealand is usually marginally shorter to enable the NZASB to receive comments from New Zealand constituents before making its own submission to the IASB.

¹⁰ The NZASB may also contribute to the Asian-Oceanian Standard-Setters Group (AOSSG) when the AOSSG makes comments on behalf of countries in the Asian-Oceanian region.

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- 2419 ~~Once the IASB finalises its proposals and issues a new or amending standard, the NZASB issues an equivalent new or amending standard. If an IFRS or other IASB pronouncement is adopted without substantive change in New Zealand, the NZASB proceeds to issue the NZ IFRS (or other pronouncement) for Tier 1 for-profit entities once it has been issued by the IASB.~~
- 2220 ~~In the unusual circumstance that the NZASB considers that additional New Zealand-specific disclosures are required it consults separately on those proposals. modifications are required to the IFRS to reflect, for example, New Zealand legislative requirements, these modifications will be exposed through a separate due process, ideally around the same time as the international due process. The ED will clearly highlight the proposed modifications and the reasons for them. When issued, the NZ IFRS will clearly identify any New Zealand modification from the IFRS.~~
- 2321 ~~As outlined in the New Zealand Accounting Standards Framework, the XRB Board is also committed to harmonised trans-Tasman standards for Tier 1 for-profit entities harmonising New Zealand and Australian accounting standards for Tier 1 for-profit entities.¹⁴ Australia has also adopted IFRS Standards and the Australian Accounting Standards Board (AASB) has a parallel policy to New Zealand on adopting IFRS Standards for issue as equivalent domestic standards for Australian Tier 1 for-profit entities.¹² Therefore, in most cases harmonisation will follow as the result of the respective policies on adopting IFRSs.~~

Steps L–M

- 2422 ~~The requirements in the standards for Tier 2 for-profit entities reporting in accordance with (NZ IFRS RDR) are required to not the same as those for Tier 1 for-profit entities. Tier 2 for-profit entities apply the same recognition and measurement requirements as Tier 1 for-profit entities, but may take advantage of any have disclosure concessions.~~
- 25 ~~In developing the requirements for Tier 2 for-profit entities, the NZASB starts with Tier 1 for-profit requirements and considers whether any disclosure concessions are warranted. This is usually done in consultation with Australia to ensure that the requirements for Tier 2 for-profit entities are harmonised.~~
- 2623 ~~If the NZASB considers that disclosure concessions are warranted, it consults separately on the proposed includes the Reduced Disclosure Regime (RDR) concessions, in an ED or discussion document for Tier 2 for-profit entities, run as a separate due process Figure 1 shows steps L and M occurring separately from the process of adopting the IFRS Standard. These steps occur after the NZ IFRS has been issued for Tier 1 for-profit entities, with the concessions being finalised by way of an amending standard. (ideally, around the same time as the due process for developing the new/amended standards for Tier 1 entities) with the proposed RDR concessions clearly highlighted in the ED. In considering whether disclosure concessions are warranted the NZASB also usually consults with Australia.~~
- 27 ~~If the NZASB considers that no disclosure concessions are warranted, the requirements in the standards applicable to Tier 2 for-profit entities will be identical to the requirements applicable to Tier 1 for-profit entities.~~

Steps N–P

- 2824 ~~Once a standard has been an IFRS has been issued by the IASB, or the New Zealand modification or RDR concessions are finalised for approval, the NZASB finalises the standard (or other pronouncement) for Tier 1 for-profit entities and Tier 2 for-profit entities and approves it for issue in accordance with the XRB's approval process and with the legislative process set out in the Financial Reporting Act 2013 (see section on **XRB approvals and legislative process**). Where appropriate, the NZASB may issue a feedback statement setting out the main matters raised by constituents, and the decisions made by the NZASB when finalising the standard.~~

¹⁴ ~~In accordance with the Government's policy objectives, the XRB is committed to harmonised trans-Tasman standards for for-profit entities. This is reflected in the harmonised IFRS equivalents and also through cross appointments on the New Zealand and Australian standard setting bodies. In 2014, the New Zealand and Australian accounting standard setters established a harmonised set of equivalents to IFRSs, which are converged with IFRSs.~~

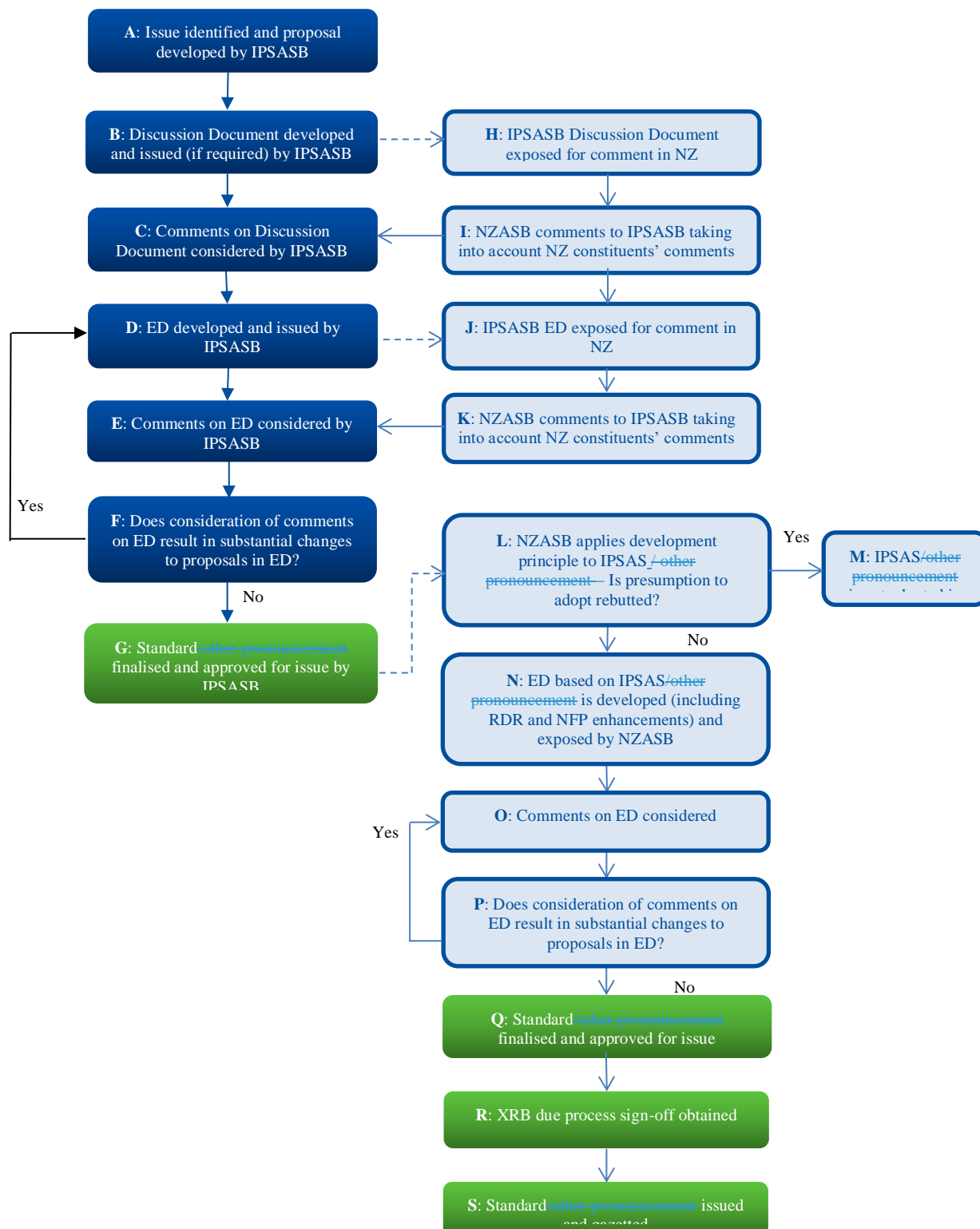
¹² ~~The XRB is a signatory to recently signed a Protocol for Co-operation with the Australian Financial Reporting Council, the AASB and the Australian Auditing and Assurance Standards Board. Under the protocol, the parties agree to use their best endeavours to minimise the differences between accounting standards issued in Australia and New Zealand for for-profit entities, and to keep each other informed of developments regarding public benefit entities.~~

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

2925 The process the NZASB follows for developing and issuing PBE Accounting Standards based on IPSASB pronouncements is set out in Figure 2. This Figure should be read in conjunction with the commentary on Process 2. The steps in the commentary refer to the steps in Figure 2.

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



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Steps A–G

- 26 Process 2 incorporates the process the NZASB follows in developing and issuing PBE Standards for Tier 1 PBEs based on IPSASB pronouncements is linked to the IPSASB's international due process for issuing IPSASs and other pronouncements.¹³ Although the IPSASB's international due process is an important aspect of the overall standard setting process in New Zealand, and is relied on by the NZASB, Process 2 focuses on the steps the NZASB takes when issuing pronouncements for PBEs based on IPSASB pronouncements. The IPSASB's due process is set out on its website.¹⁴
- 3027 The XRB Board and the NZASB consider that commenting on IPSASB documents as well as contributing to the development of those documents, where appropriate, is important to support the work of the IPSASB and to ensure that standards issued by the IPSASB which may be adopted in New Zealand are appropriate. IPSAS per se are not issued in New Zealand.

Steps H–K

- 3428 When the IPSASB seeks public comment on issues a consultation document (such as an ED of a new or amending standard or a discussion document), the NZASB notifies constituents interested parties that the IPSASB document has been issued and is available open for comment in New Zealand. Where appropriate, the IPSASB or forums are arranged by the NZASB arrange forums or other arrangements made to enable further discussion and exchanges of opinion on the proposals set out in the document.
- 29 The IPSASB's due process comment period varies depending on the complexity of the topic, but is typically 120 days.
- 30 Anyone can send comments to the IPSASB on its documents. As the national standard setter, the NZASB sends comments to the IPSASB if it considers it appropriate to do so. Constituents can comment directly to the IPSASB or to the NZASB. If constituents comments are made directly to the IPSASB, the NZASB appreciates receiving a copy so it can take the comments into account when developing its own comments to the IPSASB. The international part of the process ends when the IPSASB issues the IPSAS (or other pronouncement). All comments addressed to the NZASB are included on the XRB website unless a constituent requests otherwise, their comments are included on the XRB's website. However, all comments the NZASB receives are subject to the Official Information Act 1982 and the Privacy Act 1993.
- 3231 From this point on, Process 2 differs from Process 1. Once the IPSASB finalises its proposals and issues a new or amending standard the NZASB moves onto Steps L–P, in which it considers whether that new or amending standard should be incorporated into PBE Standards.¹⁵

Steps L–P

- 3332 The NZASB aims to ensure that standards for Tier 1 PBEs and Tier 2 PBEs are a coherent and complete sets of high-quality standards that meet users' needs. The NZASB (in conjunction with the XRB Board) has developed the PBE Policy Approach to Developing the Suite of PBE Standards (PBE Policy Approach) to assist the NZASB when it considers developing and enhancing standards applied by Tier 1 and Tier 2 public benefit entities (PBEs).¹⁶
- 3433 Prior to developing issuing a PBE standard based on an IPSAS (or issuing any other IPSASB pronouncement) for Tier 1 PBEs, the NZASB applies the development principle in the PBE Policy Approach to the IPSAS (or other pronouncement). The rebuttable presumption in the development principle is that the NZASB will adopt a new or amended IPSAS. If the presumption is rebutted, the process ceases and the IPSAS (or other pronouncement) is not adopted in New Zealand. If the presumption is not rebutted, the NZASB develops and issues a domestic ED based on that includes any proposed changes to the IPSAS (or other pronouncement). These changes may include enhancements for not-for-profit entities, and modifications to reflect New Zealand legislative requirements and any proposed. The NZASB will usually also consider RDR concessions at this time and include them in the ED if these are warranted. Any proposed RDR concessions for Tier 2 PBEs will be clearly highlighted in the ED.

¹³ Other pronouncements issued by the IPSASB include the IPSASB's conceptual framework and amendments to its pronouncements.

¹⁴ <https://www.ipsasb.org/>

¹⁵ References to IPSASB standards include the IPSASB *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*.

¹⁶ The PBE Policy Approach is available at <https://www.xrb.govt.nz/>

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- 35 — ~~If the NZASB considers that no disclosure concessions are warranted, the requirements in the standards applicable to Tier 2 PBEs will be identical to those applicable to Tier 1 PBEs.~~
- 3634 The ED ~~is may be~~ accompanied by ~~explanatory material~~ an Invitation to Comment (ITC) that highlights the reason for the development of the proposed standard ~~(or other pronouncement).~~
- 3735 The NZASB notifies constituents that ~~Interested parties are notified of the issue of the ED~~ has been issued and is open for comment. Where appropriate, ~~the NZASB arranges~~ forums are arranged or other arrangements made to enable further discussion and exchanges of opinion on the proposals set out in the ED.
- 3836 The comment period can vary depending on the complexity of the topic, but is typically 90 days. Shorter comment periods will be used only for urgent or minor matters and will never be less than 30 days.
- 3937 Constituents' comments are generally sought on the proposals ~~set out ed requirements in the ED and the need for any further additional requirements.~~ Constituents' comments are taken into account when finalising the PBE Standard (or other pronouncement). ~~All comments are included on the XRB website unless a constituents requests otherwise, their comments are included on the XRB's website.~~ However, all comments the NZASB receives are subject to the Official Information Act 1982 and the Privacy Act 1993.

Steps Q-S

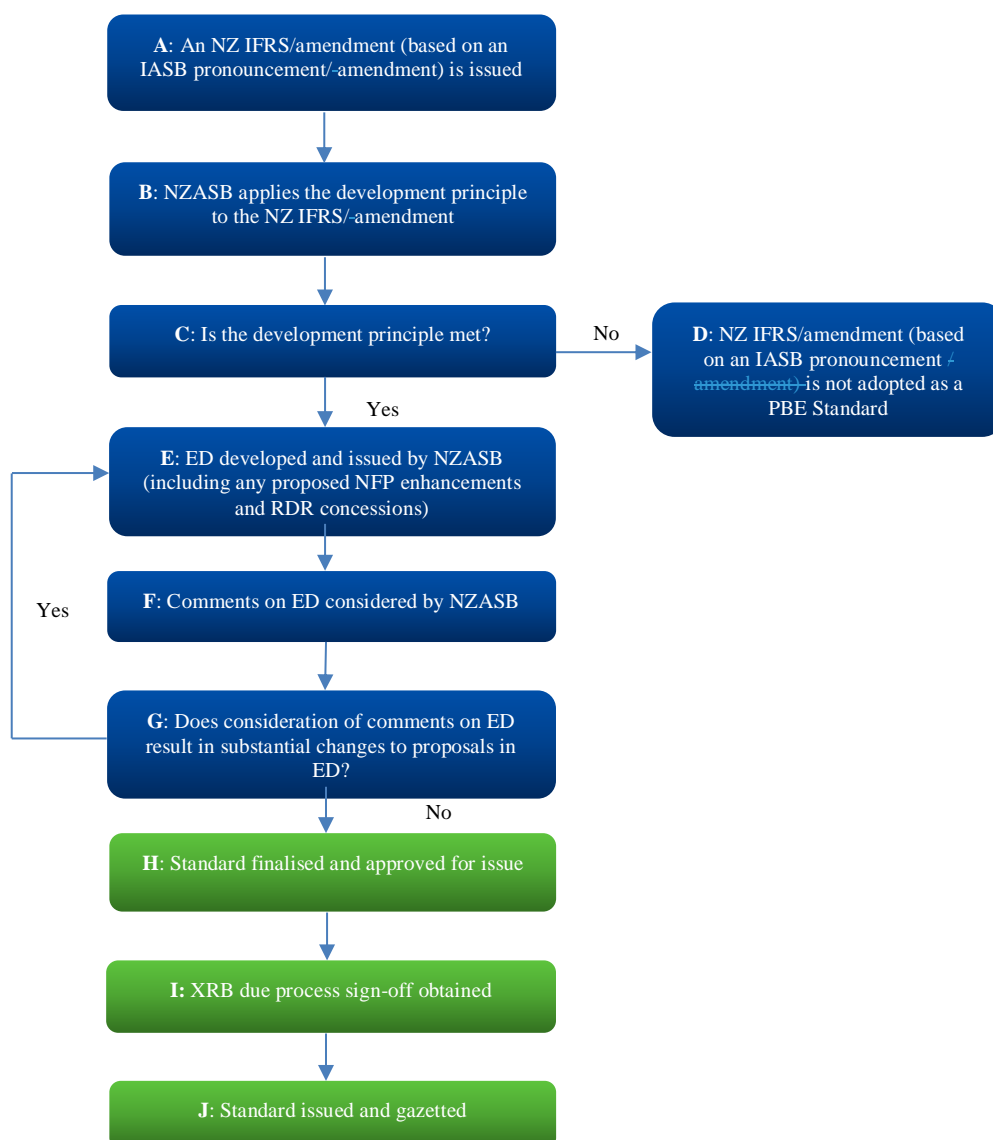
- 4038 Following the comment period ~~and consideration of, and the NZASB considering~~ the comments received, the NZASB finalises the standard ~~(or other pronouncement)~~ for Tier 1 ~~PBEs~~ and Tier 2 PBEs and approves it for issue in accordance with the XRB's approval process and with the legislative process set out in the Financial Reporting Act 2013 (see section on **XRB approvals and legislative process**). ~~Where appropriate, the NZASB may issue a feedback statement setting out the main matters raised by constituents, and the decisions made by the NZASB when finalising the pronouncement.~~

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

4139 The process the NZASB follows for developing and issuing PBE ~~Accounting~~ Standards based on IASB pronouncements is set out in Figure 3. This Figure should be read in conjunction with the commentary on Process 3. The steps in the commentary refer to the steps in Figure 3.

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



Steps A–G

4240 When the IASB issues a standard (or other pronouncement) that is adopted, or is expected to be adopted, as a For profit Accounting Standard, the NZASB applies the development principle in ~~the PBE Policy Approach~~ acknowledges that there may be some instances when it is appropriate to develop a PBE Standard based on a standard issued by the IASB or to incorporate amendments issued by the IASB in PBE Standards before the IPSASB considers those amendments to consider whether the standard (or other pronouncement) should be included in PBE Standards for Tier 1 PBEs. The NZASB therefore considers the application of the PBE Policy Approach to new and amending standards issued by the IASB on a regular basis.

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4341 There are three instances where the NZASB considers whether to propose the incorporation of a new or amending standard include an IASB standard (or other pronouncement) in PBE Standards:

- (a) when an NZ IFRS Standard on a new topic (that is based on an IFRS) is issued an IFRS Standard that the IPSASB has used as the basis for an IPSAS is changed;
- (b) when there is a change to an IASB pronouncement that has been used as a basis for an IPSAS by the IPSASB and that IPSAS is used as a basis for a PBE Standard the IASB issues an IFRS Standard on a new topic; and
- (c) when there is a change to an NZ IFRS/NZ IAS/NZ IFRIC/NZ SIC that has been used by the NZASB as a basis for a PBE Standard.

4442 The development principle requires the NZASB to consider:

- (a) whether a development will lead to higher quality financial reporting by PBEs (and groups); ~~and~~
- (b) whether the benefits of a potential development will outweigh the costs, considering as a minimum:
 - (i) relevance to the PBE sector as a whole;
 - (ii) relevance to the not-for-profit and public sector sub-sectors;
 - (iii) coherence of the set of PBE Standards;
 - (iv) the impact on mixed groups;¹⁷ and
- (c) the IPSASB's likely response to the issue of a new or amended IFRS Standard.

4543 If, in applying the development principle, the NZASB decides not to include the an IFRS Standard (or other pronouncement) issued by the IASB in the PBE Standards, the NZASB does not need to take any further action at that time process ceases.

4644 If the NZASB decides to develop a new that a standard (or other IASB pronouncement) issued by the IASB should be included in PBE Standards or propose amendments to PBE Standards, it issues an ED setting out the proposals of a proposed PBE Standard based on that IASB standard (or other pronouncement) that includes any proposed changes to PBE Standards. These proposals changes may include enhancements for not-for-profit entities, and modifications to reflect New Zealand legislative requirements and. The NZASB will usually also consider RDR concessions at this time and include them in the ED if these are warranted. Any proposed RDR concessions for Tier 2 PBEs will be clearly highlighted in the ED.

47 ~~If the NZASB considers that no disclosure concessions are warranted, the requirements in the standards applicable to Tier 2 PBEs will be identical to those applicable to Tier 1 PBEs.~~

4845 The ED may be accompanied by an ITC explanatory material that highlights the reason for the development of the proposed standard ~~(or other pronouncement).~~

4946 The NZASB notifies constituents that Interested parties are notified of the issue of the ED has been issued and is open for comment accompanying ITC. Where appropriate, the NZASB arranges forums are arranged or other arrangements made to enable further discussion and exchanges of opinion on the proposals set out in the ED.

5047 The comment period can vary depending on the complexity of the topic, but is typically 90 days. Shorter comment periods are used only for urgent or minor matters and will never be less than 30 days.

5148 Constituents' comments are generally sought on the proposals set out ed requirements in the ED, and the need for any further additional requirements Constituents' comments are taken into account when finalising the PBE Standard. Unless a constituent requests otherwise, All their comments are included on the XRB's website unless constituents request otherwise. However, all comments the NZASB receives are subject to the Official Information Act 1982 and the Privacy Act 1993.

Steps H–J

5249 Following the comment period and consideration of the comments received, and the NZASB considering the comments (as applicable), the NZASB finalises the standard ~~(or other pronouncement)~~ for Tier 1 PBEs and ~~for~~ Tier 2 PBEs and approves it for issue in accordance with the XRB's approval process and with the

¹⁷ For example, a mixed group could be is a PBE group that includes at least one material for-profit subsidiary where that for-profit subsidiary applies accounting policies that differ from those of the mixed group and that may need to be adjusted under the consolidation standards.

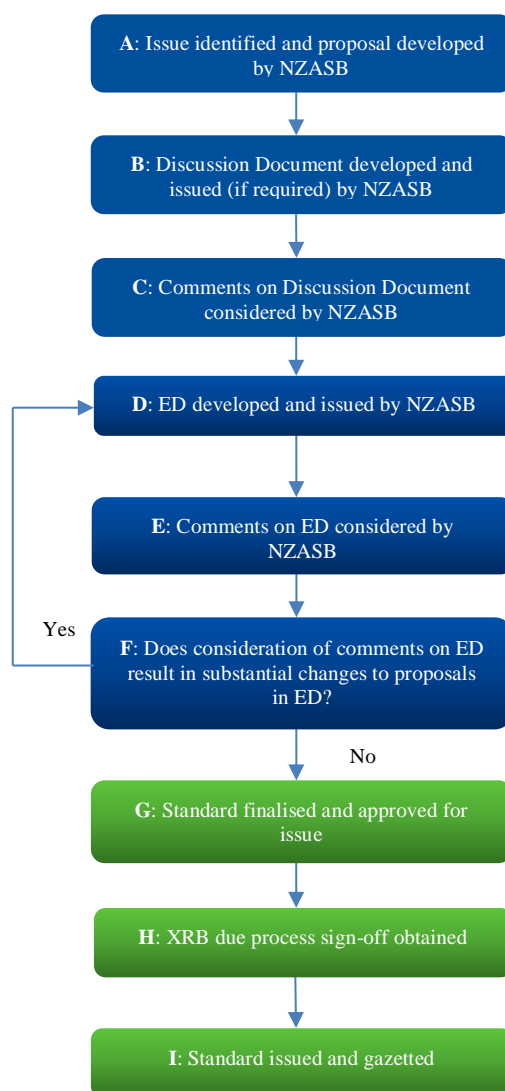
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legislative process set out in the Financial Reporting Act 2013 (see section on **XRB approvals and legislative process**). ~~Where appropriate, the NZASB may issue a feedback statement setting out the main matters raised by constituents, and the decisions made by the NZASB when finalising the standard.~~

Process 4: Process for domestic standards

⁵³⁵⁰ The process the NZASB follows for developing domestic standards is set out in Figure 4. This Figure should be read in conjunction with the commentary on Process 4. The steps in the commentary refer to the steps in Figure 4.

Figure 4: Process for domestic standards



Steps A–F

⁵⁴⁵¹ Domestic standards may be developed for ~~inclusion in F~~for-profit ~~entities~~~~Accounting Standards~~ or ~~PBEs~~~~Accounting Standards~~.

⁵⁵⁵² Domestic standards are included in ~~F~~for-profit ~~A~~ccounting ~~S~~tandards only if they do not affect a Tier 1 ~~f~~For-profit entity's ability to assert compliance with IFRSs or ~~the recognition and measurement requirements for~~ a Tier 2 ~~F~~for-profit entity's ~~recognition and measurement requirements~~. Therefore, domestic standards either prescribe additional disclosures to those in ~~For-profit Accounting Standards based on IASB pronouncements~~~~NZ IFRS or NZ IFRS RDR~~, (for example, FRS-44 *New Zealand Additional Disclosures*), or cover topics that do not affect IFRS-compliant financial statements, (for example, FRS-42 *Prospective Financial Statements*).

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- ~~5653~~ There are no similar constraints on domestic standards included in PBE ~~Accounting Standards or in the -~~ ~~Such standards include the~~ Simple Format Reporting Standards (~~SFR Standards~~) that are issued for Tier 3 and Tier 4 PBEs.
- ~~5754~~ Domestic standards are developed when the NZASB identifies an issue or a gap in the ~~accounting standards for either one or both of the sectors. For profit Accounting Standards or PBE Accounting Standards.~~ In developing domestic standards, constituents' views are sought on the need for, and content of, any proposed requirements. For some projects, the NZASB may issue a discussion document identifying matters that the NZASB is considering and options for addressing those matters.
- ~~5855~~ For all proposed standards, the NZASB prepares an ED and accompanying ~~ITC~~ ~~explanatory material~~ that highlights the reason for its development.
- ~~5956~~ ~~Interested parties~~ ~~Constituents~~ are notified of the issue of all discussion documents and EDs. Where appropriate, forums are arranged or other arrangements made to enable further discussion and exchanges of opinion ~~on the proposals set out in the documents or EDs.~~
- ~~6057~~ The comment period can vary depending on the complexity of the topic, but is typically 90 days. Shorter comment periods are used only for urgent or minor matters and will never be less than 30 days.
- ~~6158~~ Constituents' comments are ~~generally~~ sought on the propos~~al~~ ~~sed requirements in the ED, and the need for any further additional requirements. Constituents' comments are taken into account when finalising the domestic standard Unless a constituent requests otherwise, All their~~ comments are included on the XRB's website ~~unless constituents request otherwise.~~ However, all comments the NZASB receives are subject to the Official Information Act 1982 and the Privacy Act 1993.

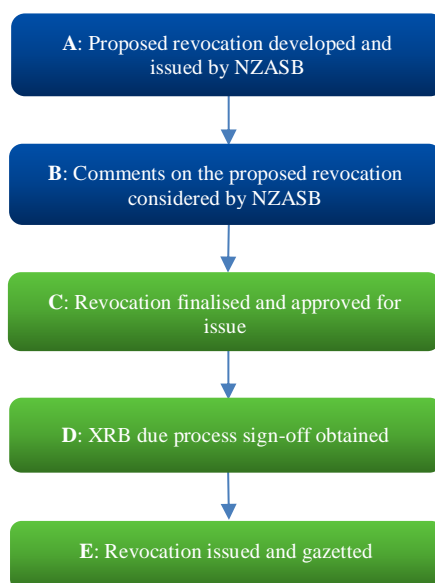
Steps G–I

- ~~6259~~ Following the comment period ~~and consideration of, and the NZASB considering~~ the comments ~~received,~~ the NZASB finalises the standard and approves it for issue in accordance with the XRB's approval process and with the legislative process set out in the Financial Reporting Act 2013 (see section on **XRB approvals and legislative process**). ~~- Where appropriate, the NZASB may issue a feedback statement setting out the main matters raised by constituents, and the decisions made by the NZASB when finalising the standard.~~

Process for revoking standards and authoritative notices

⁶³⁶⁰ The process the NZASB follows for revoking standards ~~and authoritative notices~~ is set out in Figure 5. ~~This Figure should be read in conjunction with the commentary on Process 5. The steps in the commentary refer to the steps in Figure 5.~~

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



Steps A–B

⁶⁴⁶¹ The Financial Reporting Act 2013 requires that the due process applying to the issue of standards ~~and authoritative notices~~ also applies to their revocation.¹⁸ Before the NZASB revokes a standard ~~or an authoritative notice~~ in either sector, it must ensure that people or organisations likely to be affected have been adequately consulted.¹⁹

⁶⁵⁶² The NZASB develops and issues the proposed revocation, including the reason for the revocation. ~~Interested parties~~ Constituents are notified of the issue of the proposed revocation. The comment period for the proposed revocation is typically 90 days.

⁶⁶⁶³ Constituents' comments are generally sought on the proposed revocation, and those comments are taken into account when finalising the revocation. ~~All comments are included on the XRB website unless a constituents request otherwise, all their comments are included on the XRB's website.~~ However, all comments the NZASB receives are subject to the Official Information Act 1982 and the Privacy Act 1993.

Steps C–E

⁶⁷⁶⁴ Following the comment period ~~and consideration of, and the NZASB considering~~ the comments received, the NZASB finalises the revocation and approves it for issue in accordance with the XRB's approval process and with the legislative process set out in the Financial Reporting Act 2013 (see section on **XRB approvals and legislative process**). ~~Where appropriate, the NZASB may issue a feedback statement setting out the main matters raised by constituents, and the decisions made by the NZASB when finalising the revocation.~~

¹⁸ ~~It should be noted that a standard in either sector may be superseded when it is replaced with another standard. A separate consultation process is not undertaken for the superseded standard as its proposed supersedence is included in the consultation process for the proposed replacement standard.~~

¹⁹ Standards or authoritative notices may be superseded or revoked because of amendments to other standards or authoritative notices or because new standards or authoritative notices are issued. Proposals to supersede or revoke a standard or authoritative notice may therefore be consulted on together with those other proposals.

XRB approvals and legislative process

- ~~68~~⁶⁵ Before approving a standard, authoritative notice, amendment or revocation for issue ~~in either sector~~, the NZASB needs to satisfy itself that reasonable steps have been taken to consult with people or organisations likely to be affected ~~by their content~~.
- ~~69~~⁶⁶ The NZASB is required to obtain a certificate signed by a member of the XRB Board (usually the Chair of the XRB Board), authorising the issue of the standard, authoritative notice, amendment or revocation.²⁰
- ~~70~~⁶⁷ Before signing a certificate, the member of the XRB Board checks that the standard, authoritative notice, amendment or revocation is consistent with the XRB Board's financial reporting strategy, that due process has been followed, and that matters raised by constituents have been adequately considered. In the case of a standard or authoritative notice that is based on an international pronouncement, this includes ensuring that the applicable international due process has been followed. ~~This reflects the XRB Board's interest in ensuring due process is followed.~~
- ~~71~~⁶⁸ Following the signing of the certificate, the NZASB formally issues the standard, authoritative notice, amendment or revocation, ~~publishes a notice by public notification in the Gazette, and advises constituents via its regular newsletters~~ includes this in the next NZASB Update ~~sends a communiqué to interested parties.~~²¹
- ~~72~~⁶⁹ In accordance with the provisions of the Financial Reporting Act 2013, all standards, authoritative notices, amendments and revocations issued are subject to the Legislation Act 2012. This means that these pronouncements are treated as disallowable instruments and must be presented to Parliament within 16 sitting days of the standard being gazetted.²² Sections 42 and 43 of the Legislation Act 2012 set out the manner in which a disallowable instrument (or provisions of a disallowable instrument) may be disallowed.
- ~~73~~⁷⁰ A standard, authoritative notice, amendment or revocation takes effect on the 28th day after the ~~date of its public notification in the Gazette~~ notice is published. However, any of those documents may be treated as taking effect on its notification in the Gazette if the NZASB considers it necessary or desirable to do so and advises so in the Gazette ~~N~~notice.²³
- ~~74~~⁷¹ The requirements of existing standards and authoritative notices that are affected by a new standard, authoritative notice, amendment or revocation remain in force until the mandatory application date of the new pronouncement. Subject to the requirements of the standard or authoritative notice, a new or revised or amended standard or authoritative notice may be applied in advance of its mandatory application date.

²⁰ As required by section 26 of the Financial Reporting Act 2013.

²¹ As required by section 24 of the Financial Reporting Act 2013.

²² See section 25 of the Financial Reporting Act 2013.

²³ See section 27(2) of the Financial Reporting Act 2013.

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History of Amendments

EG A2 Overview of the Accounting Standard-setting Process was issued in August 2014.

This table lists the date of amendments to EG A2 and provides a brief summary of those amendments.

<u>Month</u>	<u>Summary of amendments</u>
<u>December 2017</u>	<ul style="list-style-type: none"> • <u>Editorial amendments</u> • <u>Redrafted the diagrams outlining the different processes</u>
<u>June 2018</u>	<ul style="list-style-type: none"> • <u>Editorial amendments</u> • <u>Updated the reference to the for-profit conceptual framework</u> • <u>Amended the diagrams outlining the different processes, including RDR for for-profit entities</u>
<u>December 2019</u>	<ul style="list-style-type: none"> • <u>Editorial amendments to refer to the suites of standards as defined in XRB A1 and to use current terminology</u> • <u>General update</u>