

# 2025 Amendments to XRB A1

## *Application of the Accounting Standards Framework*

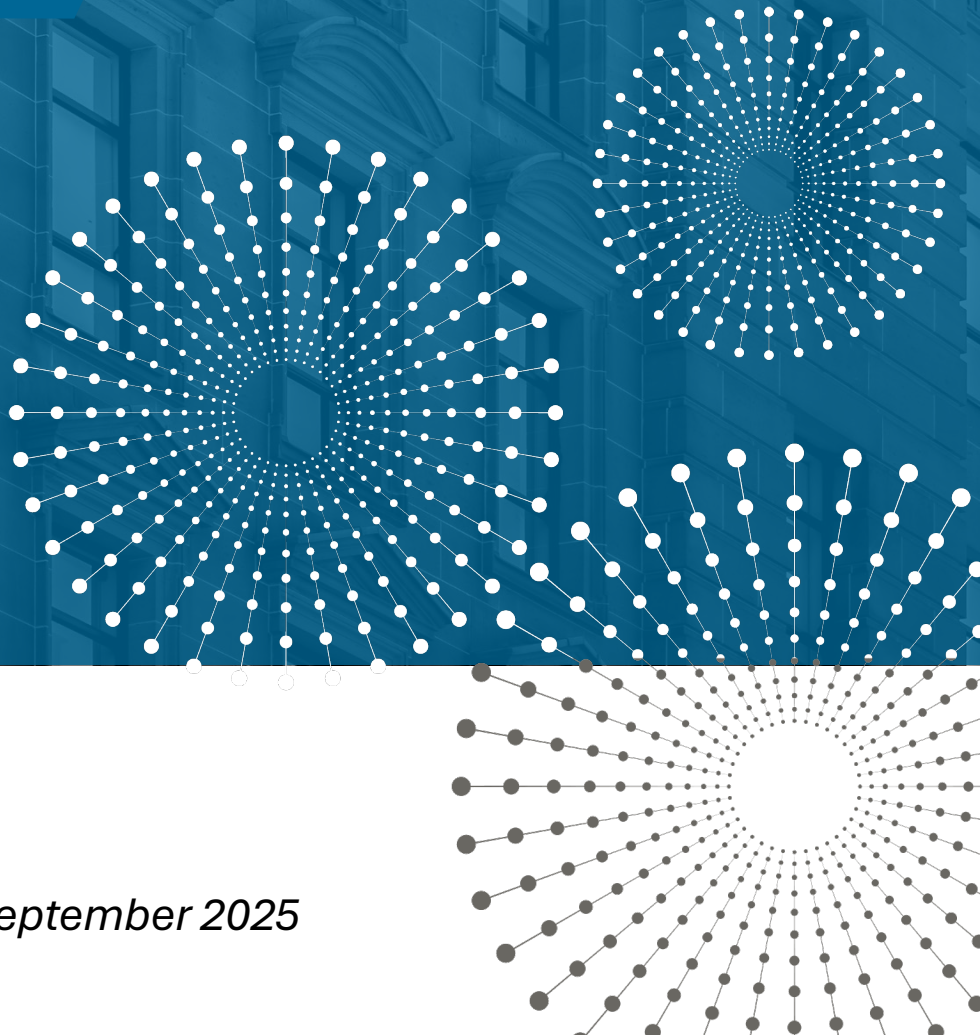
Proposed Improvements to XRB A1

*For all for-profit and public benefit entities*

Consultation document

June 2025

*Consultation closes 30 September 2025*





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# Section 1

## What is this consultation document about?

### Proposed amendments to XRB A1

The External Reporting Board (XRB) has issued this consultation document to seek feedback on its Exposure Draft (ED) *2025 Amendments to XRB A1*.

The XRB is committed to making the application of XRB A1 easier and more efficient. We are proposing several amendments aimed at enhancing clarity and consistency within the Accounting Standards Framework. These changes are designed to make the application of the Accounting Standards Framework easier and to ensure the Standard remains up to date with modern developments.

The proposed amendments include:

- **Clarifying the definition of public accountability** to make application more straightforward
- **Increasing the Tier 1 size threshold for for-profit public-sector entities** to align with the Tier 1 size threshold for Public Benefit Entities (PBE)
- **Revising terminology in the PBE Tier 4 criteria and ‘moving between tiers’ provisions** to provide clearer guidance on when the Tier 4 criteria are met

Each of these elements are covered in additional detail in section 3.

### ***XRB A1 Application of the Accounting Standards Framework***

XRB A1 establishes the Accounting Standards Framework in New Zealand and outlines the criteria for the application of different financial reporting tiers, classifying entities based on their size, nature and public accountability. It also specifies the accounting standards applicable to each tier reporting across the for-profit, the public sector and not-for-profit sectors.

It is important that we get your feedback to ensure the Standard remains appropriate and easy to apply.



# Section 2



## How to provide feedback

### Making a submission

We are seeking your feedback on the proposed amendments.

- 1) Do you agree with the proposed amendments to XRB A1 that:
  - a. Amend the definition of public accountability?
  - b. Increase the Tier 1 size threshold for for-profit public sector entities from \$30 million to \$33 million of expenses?
  - c. Clarify when the Tier 4 criteria are met?

If not, why not?

- 2) Do you have any concerns with the costs involved in adopting the proposed amendments?
- 3) Do you have any other feedback on the proposed amendments?

We encourage all comments, and you can provide feedback via:

- The consultation page on our website (where you can upload a response or complete the online form); or
- Email to [accounting@xrb.govt.nz](mailto:accounting@xrb.govt.nz)

The consultation closes on **Tuesday 30 September 2025**.

### Proposed Timeline



### Publication of submissions, the Official Information Act and the Privacy Act

*We intend on publishing all submissions on the XRB website, unless the submission may be defamatory. If you have any objection to publication of your submission, we will not publish it on the XRB website. However, it will remain subject to the Official Information Act 1982 and, therefore, it may be released in part or in full.*

*The Privacy Act 2020 also applies. If you have an objection to the release of any information contained in your submission, we would appreciate you identifying the parts of your submission to be withheld, and the grounds under the Official Information Act 1982 for doing so.*



# Section 3

## Overview of the proposed amendments to XRB A1

### 1. Definition of public accountability

The definition of ‘public accountability’ in XRB A1 is a key element in determining an entity’s reporting tier. If a for-profit entity or a PBE has public accountability, that entity is required to apply Tier 1 reporting requirements – regardless of the entity’s size.

The definition of public accountability in XRB A1 is also important from an audit and assurance perspective. An entity that must report in Tier 1 under XRB A1 is considered a Public Interest Entity (PIE) for audit and assurance purposes.

The definition of public accountability in XRB A1 has two elements:

- The IASB definition of public accountability (paragraphs 7(a) and 8 of XRB A1); and
- The New Zealand-specific ‘deeming provision’ (paragraphs 7(b) and 9 of XRB A1).

### What we are aiming to achieve

#### Make the definition of public accountability easier to apply

- For those entities considering the IASB definition of public accountability, we want to make it easier to apply paragraph 8(b) of XRB A1:  
*“An entity has public accountability if it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (most banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks would meet this second criterion).”*  
 Some of the entities specified in this definition (such as securities brokers/dealers) do not necessarily “hold assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses”.
- For those entities applying paragraph 10 of XRB A1, we want to revise the wording to better clarify what is intended and make it easier to apply:  
*“Notwithstanding paragraph 8(b), an FMC reporting entity is not considered to have public accountability unless it is considered to have a “higher level of public accountability” than other FMC reporting entities in accordance with paragraph 9(a) or 9(b).”*



## Summary of proposed amendments

- The ED proposes aligning the definition of public accountability (within paragraphs 7(a) and 8 of XRB A1) with the latest revised IASB definition of public accountability. The IASB has altered part of the public accountability definition which is contained in paragraph 8 of XRB A1.

Current paragraph 8 of XRB A1	Proposed amendment to paragraph 8
<i>“most banks, credit unions etc. would hold assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses”</i>	<i>“for example, banks, credit unions etc. often hold assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses”.</i>

- The ED proposes introducing a new paragraph to clarify:
  - In New Zealand, many brokers do not hold assets in fiduciary capacity for a broad group of outsiders and instead mainly engage in transaction services on behalf of clients and provide investment advice; and
  - Judgement is required when determining whether an entity mentioned in paragraph 8(b) meets the ‘fiduciary capacity’ part of the IASB definition of public accountability.
- The ED proposes replacing paragraph 10 of XRB A1 with a new paragraph that better clarifies that an FMC reporting entity has public accountability under paragraph 8(b) if, and only if, it has a ‘higher level of public accountability’ under the FMC Act.
- The ED proposes introducing paragraphs 19A and 38A clarifying that an entity that is required to report in Tier 1 under XRB A1 is considered a PIE for audit and assurance purposes – and auditors of PIEs have increased independence requirements.

For further details, including an explanation of the rationale for the changes, please refer the Basis for Conclusions contained in the ED.

**Do you agree with the proposed amendments?**







## 2. Increasing the Tier 1 size threshold for for-profit public sector entities

XRB A1 sets out the Tier 1 criteria for for-profit entities in paragraph 17. It specifically provides that a **for-profit public-sector entity** is required to apply the Tier 1 accounting requirements if it is 'large'.

Currently, a for-profit public-sector entity is considered 'large' if its total expenses exceed \$30 million. This threshold is defined in XRB A1 and has not been adjusted since it was originally set.

### What we are aiming to achieve

#### Alignment with the PBE Tier 1 size threshold

In 2024, the PBE Tier 1 size threshold was increased from \$30 million to \$33 million of total expenses. Prior to the increase in the PBE tier size thresholds, the Tier 1 size thresholds were the same (total expenses of \$30 million) for both PBEs and for-profit public sector entities. These were originally set at the same level to ensure consistency across sectors within the Accounting Standards Framework.

### Summary of proposed amendments

The ED proposes that the Tier 1 size threshold for for-profit public sector entities is increased to \$33 million of total expenses to align with the PBE Tier 1 size threshold. This will restore consistency across sectors within the Accounting Standards Framework and allow for an easier understanding of what thresholds require reporting across the sectors.

For further details, including an explanation of the rationale for the changes, please refer the Basis for Conclusions contained in the ED.

Do you agree with the proposed amendments?





### 3. Clarifying the Tier 4 criteria and related ‘moving between tiers’ provisions

XRB A1 outlines the Tier 4 criteria in paragraphs 42 and 42A, and specifies that an entity can apply PBE Tier 4 Requirements provided:

- it does not have public accountability; and
- does not meet the legislative size threshold to be a ‘specified not-for-profit entity’<sup>1</sup>.

XRB A1 also currently contains the requirements for ‘moving between tiers’ for PBEs in paragraphs 47-72. These requirements apply when an entity that is reporting under one tier becomes eligible (via the particular tier criteria) to report under another tier. These requirements prescribe which reporting period the entity must transition to reporting in the other tier.

The Tier 4 criteria is a key element to applying the ‘moving between tiers’ provisions for entities moving from a higher tier to Tier 4.

#### What we are aiming to achieve

##### Make it easier to understand when an entity is able to transition to reporting in Tier 4

- We want to update terminology in the Tier 4 criteria and ‘moving between tiers’ provisions (i.e. replace terms, ‘Tier 4 size criteria’ and ‘legislative size threshold’) to help clarify when an organisation meets the Tier 4 criteria and can apply the Tier 4 Standard – particularly in cases where an entity has operating payments of less than \$140,000 but still meets the definition of a ‘specified not-for-profit entity’ under other primary legislation.

#### Summary of proposed amendments

The ED seeks to introduce terminology to the Tier 4 criteria and the ‘moving between tiers’ provisions that clarifies an entity **must not** meet the definition of a “specified not-for-profit entity” before it can apply the Tier 4 Standard. This will help provide clarity to entities who are considering the requirements of XRB A1 and legislation.

For further details, including an explanation of the rationale for the changes, please refer the Basis for Conclusions contained in the ED.

Do you agree with the proposed amendments?



<sup>1</sup> The definition of a “specified not-for-profit entity” is contained in section 46 of the Financial Reporting Act 2013 and notes that an entity must have in each of the two preceding accounting periods, operating payments of \$140,000 or more.



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