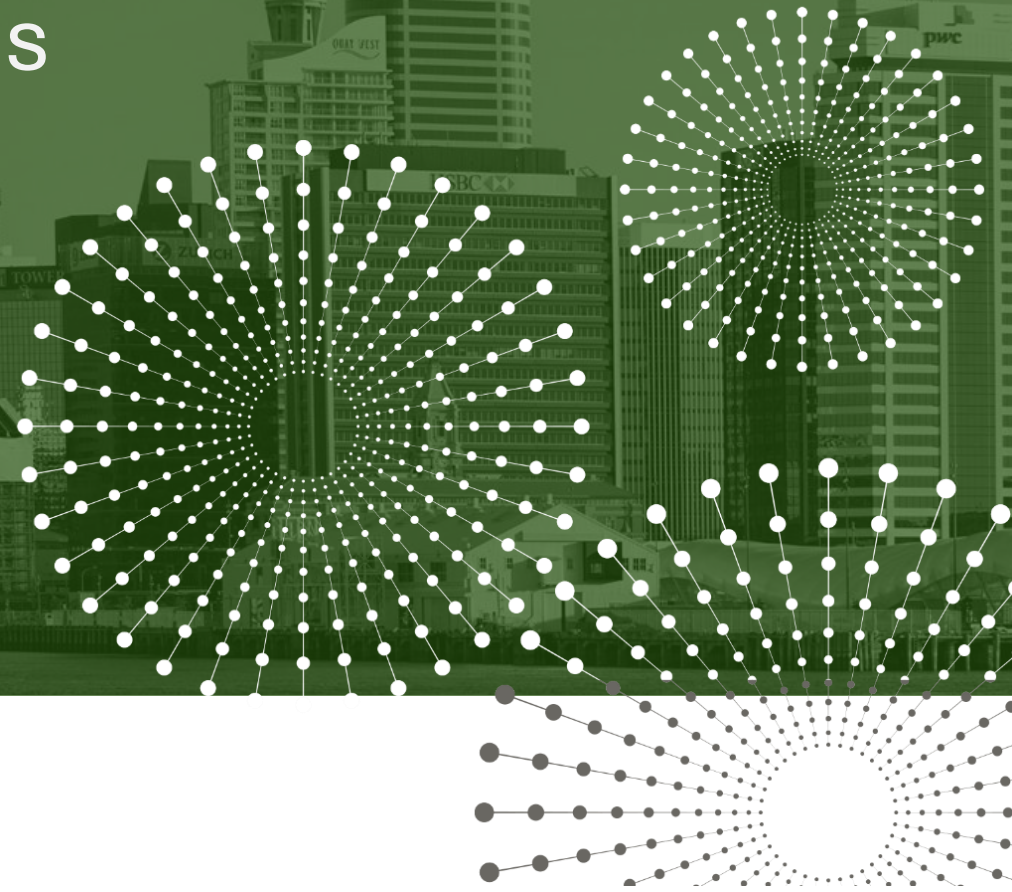




Supporting high-quality going concern assessment and disclosure in uncertain times

For profit preparers and directors

May 2026



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Supporting high-quality going concern assessment and disclosure in uncertain times



This guidance supports rigorous application of going concern requirements

This guidance promotes the need for high-quality going concern assessments and disclosures in financial reporting, particularly in periods of increased economic uncertainty, to enhance transparency for users. It outlines management and directors' responsibilities and highlights key areas of judgement. It also explains how upcoming changes to the auditing standard on going concern will increase audit scrutiny and affect the auditor's report.

The going concern assumption is a fundamental concept underpinning the preparation and presentation of financial statements

Going concern affects how assets and liabilities are recognised and measured, how results are presented, and how users interpret an entity's financial position and prospects. The going concern assumption has two key elements. It requires management to assess whether the entity will continue to operate for the foreseeable future, with no need to liquidate or cease trading (ability), and that management has no intention to do so (intent).

High-quality going concern judgements and disclosures are critical to maintaining trust in financial reporting. They enable directors¹ to effectively discharge their responsibilities while ensuring that the going concern basis of the financial statements is appropriate. They also support informed decision making by investors, lenders, and other users.

Economic uncertainty increases the importance of rigorous going concern assessment and clear disclosure

Economic uncertainty can affect an entity's ability to continue as a going concern. In an environment of sustained global uncertainty and rapid change across economic, geopolitical and technological settings, going concern assessments are increasingly important. Investors, auditors, regulators and other users of financial statements are placing greater emphasis on these assessments and related disclosures. These conditions require an increasing need for sound judgement and transparent, entity-specific explanations of how the entity's ability and intent to continue as a going concern has been assessed.



The going concern assessment supports governance, risk management and transparency

Where management devotes sufficient time and rigour to the going concern assessment, the benefits extend beyond meeting minimum requirements, to delivering high quality, decision-useful information. A well-supported assessment strengthens the quality of financial reporting by ensuring that judgements are clearly articulated, assumptions are well-evidenced, and disclosures are tailored to the entity's specific circumstances. This enhances transparency for investors, lenders, and other users, and supports informed decision making.

Early and constructive engagement between management, directors, and auditors is critical. Robust discussion of going concern matters helps ensure key risks and uncertainties are identified and tested, mitigation plans are realistically assessed, documentation is fit for purpose

¹ In New Zealand, directors are responsible for ensuring the entity meets its legal obligations relating to the preparation of financial statements. While the financial reporting process is delegated to management, responsibility for such matters remains with directors.

and disclosures are appropriate. Early engagement reduces the risk of late-stage issues during the audit, supports efficient audit outcomes, and promotes clearer communication of going concern matters in the financial statements and auditor's report.

A well-prepared going concern assessment and appropriate going concern disclosures supports high-quality financial reporting. In particular, the assessment:

- supports proactive risk management by helping entities identify risks early and informs decision making and contingency planning.
- enables good governance by supporting directors to discharge their responsibility on behalf of the entity for a well-documented assessment based on relevant, reliable information and sound processes.

A good internal process helps management to identify relevant disclosures to include in financial statements.



Insufficient focus on going concern weakens reporting quality and confidence

Monitoring and review activity continues to show that going concern assessments and related disclosures are not always receiving sufficient attention. In some cases, disclosures lack the depth or specificity needed to explain key judgements, assumptions, and uncertainties, particularly in periods of heightened economic uncertainty. This can limit users' ability to understand how going concern considerations have been addressed and how resilient the entity may be to current and emerging risks.

The [Financial Markets Authority's \(FMA\) financial statements monitoring insights report](#), published in April 2026, highlighted going concern as a key theme. They found that while generally entities applied the accounting standard appropriately, some disclosures lacked sufficient clarity regarding significant judgements and key uncertainties. They encouraged entities to regularly reassess the appropriateness of the going concern assumption, especially when operating environments or funding conditions present challenges.

The regulator also observed that some entities delayed filing financial statements until funding matters were resolved, which resulted in investors not being informed on a timely basis about the entity's financial position.



Management is responsible for assessing going concern under accounting standards

The requirements in accounting standards for management's going concern assessment have not changed. When preparing financial statements, management is required to assess whether the entity is able to continue as a going concern and to determine whether the going concern assumption is appropriate². In making this assessment, management should consider all available information about the future, covering at least (but not limited to) twelve months from the end of the reporting period³. This requires a forward-looking evaluation that reflects the entity's specific circumstances.

² NZ IAS 1.25 [NZ IAS 8.6K]. Please note Paragraph 25 of NZ IAS 1 *Presentation of Financial Statements*. NZ IAS 1 will be superseded once the entity adopts NZ IFRS 18 *Presentation and Disclosure in Financial Statements* and this paragraph will be replaced by paragraph 6K of NZ IAS 8 *Basis of Preparation of Financial Statements*. Throughout this guidance both relevant references are included.

³ NZ IAS 1.26 [NZ IAS 8.6L]. If management's assessment covers less than twelve months from the date of the approval of the financial statements, the auditing standard requires the auditor to request management to extend its assessment period.



The depth of analysis should reflect the entity's circumstances

The nature and extent of analysis supporting the going concern assessment will vary depending on the entity's circumstances.

More detailed analysis may be appropriate where:

- the entity faces liquidity pressures
- there are recent or forecast losses
- external funding is uncertain; or
- other financial or non-financial pressures are present.⁴

In such circumstances, management may consider possible adverse events, scenario analysis and sensitivity analysis to evaluate the impact of risk factors on the going concern assumption.⁷

Less detailed analysis may be appropriate where:

- the entity has a history of profitable operations
- the entity has ready access to financial resources; and
- there are no indications that events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern.

In these cases, management's assessment may be supported by relatively simple forecasts or budgets covering the assessment period.⁵

Management must prepare appropriate going concern disclosures

Management is also responsible for ensuring that appropriate going concern-related disclosures are included in the financial statements. The nature and extent of these disclosures depend on the outcome of the going concern assessment.

As clarified by the International Accounting Standards Board in [Going concern – a focus on disclosure](#):

- where there are material uncertainties related to the entity's ability to continue as a going concern⁶, disclosure is required of those uncertainties and any significant judgements; and
- where there are no material uncertainties, but reaching that conclusion involved significant judgement, disclose those judgements⁷.

FRS 44 *New Zealand Additional Disclosures* prescribes specific disclosures where material uncertainties exist⁸. The XRB staff guidance [Spotlight on Going Concern Disclosures](#) provides a decision tree and further detail on the required disclosures for Tier 1 and Tier 2 for-profit entities.

⁴ Paragraph A7 of [ISA \(NZ\) 570](#) provides examples of conditions or events that individually or collectively may cast significant doubt on an entity's ability to continue as a going concern. These examples are not exhaustive.

⁵ Paragraph A39 of [ISA \(NZ\) 570](#)

⁶ NZ IAS 8.6K [NZ IAS 1.25] and NZ IAS 8.27G [NZ IAS 1.122]

⁷ NZ IAS 8.27G [NZ IAS 1.122]

⁸ FRS 44.12A



Questions to help directors evaluate management's going concern processes and evidence

Robust management processes and clear evidence support management's going concern assessment. The following questions may assist directors in understanding management's approach:⁹

- What process was used to identify risks and other factors that may affect going concern?
- What liquidity and other financial pressures have been considered?
- What internal and external evidence supports the key assumptions used in the assessment?
- How have forecasts been stress-tested under adverse scenarios?
- Are forecast cashflows, and their timings, realistic?
- Where events or conditions may cast significant doubt on the entity's ability to continue as a going concern, how have mitigation plans been tested for feasibility and timing, and what evidence supports their viability?
- To what extent does the assessment rely on financial support from other parties, and what evidence supports their intent and ability to provide that support?
- How does the documentation support the assessment, including the key judgements, evidence obtained and conclusions reached?



Questions to support directors' responsibilities for going concern judgements and disclosures

Directors remain responsible for the going concern basis of preparation and for ensuring disclosures are transparent. The following questions may facilitate directors' discussions in discharging these responsibilities:

- How are directors satisfied that the going concern basis of preparation is appropriate?
 - What significant judgements or assumptions are included in the assessment?
 - What analysis supports the assessment? (for example, forecasts, timing of cashflows, sensitivities and stress testing)
- How are directors satisfied that the method, significant assumptions and data used in management's assessment are appropriate?
 - What going concern risks require management to take action, and how are directors satisfied that management's plan is viable?
- How have all events or conditions that may cast significant doubt on the entity's ability to continue as a going concern been identified, assessed and disclosed to the auditor? If there are such events or conditions:
 - How confident are directors that plans for future actions will mitigate the effects?
 - How feasible are these plans?
 - Is there both the intent and ability to carry out these actions?

⁹ These example questions are not exhaustive.

- How are directors satisfied that going concern disclosures in the financial statements are sufficient, balanced and entity-specific?
 - Do the disclosures clearly explain the key judgements and assumptions underpinning the going concern assessment, including how conclusions were reached where significant judgement has been applied?
 - Do the disclosures appropriately reflect the entity's specific circumstances, risks and operating environment, including the nature, magnitude and potential impact of any uncertainties, rather than relying on generic wording?
 - Do the disclosures present a balanced picture, and are they internally consistent with other information in the financial statements, without obscuring key uncertainties or over-emphasising mitigating factors?
- How are directors adapting their engagement with the auditor in response to the new audit requirements?
 - How might written representations to the auditor change?
 - Do directors understand how the auditor's report will change, including the information it will include and the questions that may arise?



Changes to the auditing standard will increase scrutiny of the going concern assessment

The XRB has issued a revised going concern auditing standard¹⁰ that enhances how auditors evaluate management's assessment of an entity's ability to continue as a going concern. The standard is based on the international standard and applies to accounting periods beginning on or after 15 December 2026. The revisions strengthen how auditors evaluate management's going concern assessment and enhance communication of going concern matters through a dedicated section in the auditor's report, as summarised in the Appendix.

While the accounting requirements for management's going concern assessment have not changed, the revised auditing standard strengthens scrutiny of that assessment and how related matters are communicated in the auditor's report. These changes reinforce the importance of well-documented, evidence-based assessments and clear, high-quality disclosures.



Auditors are required to apply enhanced procedures and reporting for going concern

Changes to the auditing standard include:

A new definition

A new definition of a material uncertainty related to going concern



Changes that impact the auditor's report (refer to the Appendix for more information)

New auditor reporting requirements, including:

- for all entities, the auditor's conclusion on whether the going concern basis of preparation is appropriate; and

¹⁰ International Standard on Auditing (New Zealand) (ISA (NZ)) 570, *Going Concern*



- for certain entities, a description of how the auditor evaluated management's assessment.

Changes that impact the auditor's work effort

- stronger requirements for auditors to evaluate management's going concern assessment irrespective of whether events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern, including whether:
 - the method used is appropriate and calculations are mathematically accurate
 - significant assumptions and judgements are appropriate and consistent; and
 - the data used is relevant, reliable, and appropriate.
- an explicit requirement for auditors to request management to extend the assessment period to 12 months from the date the financial statements are approved¹¹
- a new requirement to obtain audit evidence on whether events or conditions exist that may cast doubt on going concern, before considering mitigating factors
- enhanced evaluation of management's plans, including management's intent and ability to carry them out and whether those plans are sufficient to mitigate identified risks
- new requirements where plans rely on third-party or related-party financial support, including evaluation of those parties' intent and ability to provide that support
- strengthened communication requirements with those charged with governance; and
- a new definition of a material uncertainty related to going concern.



Management and directors can prepare now for changes to the going concern audit requirements

Management and directors can take practical steps now to support a smooth transition to the revised auditing standard. This includes building a clear understanding of how audit requirements are changing, particularly how auditors will evaluate management's going concern assessment, the increased transparency in auditor reporting on going concern matters, and the written representations auditors will request. Early and constructive engagement, together with fit-for-purpose processes and well-supported documentation aligned to the revised requirements, will help enable a more efficient and effective audit.

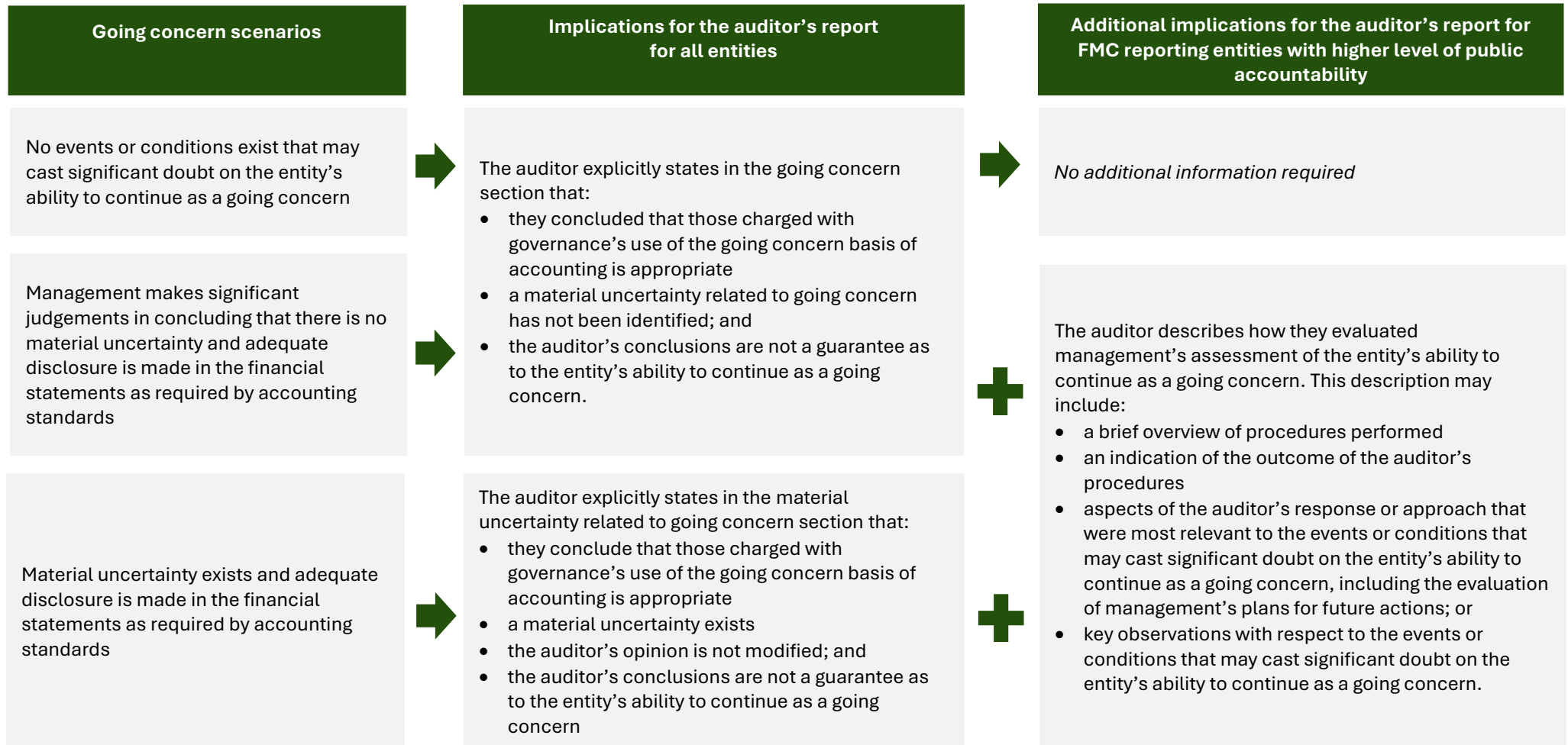
¹¹ Paragraph 22 of ISA (NZ) 570. NZ IAS 8 [NZ IAS 1] requires at least 12 months from the end of the reporting period.



Appendix: Understanding the new going concern section in the auditor’s report

The revised auditing standard is applicable for accounting periods beginning on or after 15 December 2026. The revisions change the auditor’s report. These changes will enhance the transparency of going concern related matters.

Except in rare circumstances¹², auditors’ reports will include a dedicated section addressing going concern related matters, either under the heading “**going concern**” or “**material uncertainty related to going concern**”.



¹² Separate sections on “going concern” or “material uncertainty related to going concern” are not included when the auditor disclaims an opinion on the financial statements or when the auditor concludes that the going concern basis of accounting is not appropriate.