

Late papers – NZASB meeting 11 June 2026

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Memorandum

To: NZASB Members

Meeting date: 11 June 2026

Subject: **IPSASB Presentation of Financial Statements – preliminary discussion**

Date: 5 June 2026

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Through: Michelle Lombaard

Action Required

For Information Purposes Only

COVER SHEET

Project overview

<p>Project purpose</p>	<ul style="list-style-type: none"> IPSASB [per project brief]: To enhance communication of financial information by replacing IPSAS 1 <i>Presentation of Financial Statements</i> – to help public sector entities communicate their financial information better for accountability purposes and to the decision-makers that use this information. XRB: To consider the project direction proposed by the IPSASB for this project, and to consider the effects this might have in the NZ context. To share NZ views by commenting on the IPSASB Consultation Paper (CP) <i>Presentation of Financial Statements</i>, with the objective of achieving improvements in the presentation and disclosure of information in NZ PBE financial statements.
<p>Cost/benefit considerations</p>	<p>The paper discussed at the NZASB’s February 2026 meeting outlined preliminary cost–benefit considerations. Those considerations are reproduced in the Appendix to this memo.</p>
<p>Project priority</p>	<p>Medium</p> <p>The IPSASB’s proposed new standard is aligned with many aspects of IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>. IFRS 18 is a significant new for-profit standard, and the IPSASB’s project could similarly have a significant impact on the PBE sector. Considering that PBE Standards are primarily based on IPSAS, there is benefit in seeking to influence the direction of this project from a NZ perspective.</p> <ul style="list-style-type: none"> While we are not aware of major issues with the current requirements in PBE IPSAS 1 <i>Presentation of Financial Reports</i> that need urgent resolution, the structured approach and enhanced guidance on grouping of information in IFRS 18 could be helpful to users of NZ PBEs’ financial reports. This IPSASB project is currently at CP stage and will have an Exposure Draft (ED) stage, so a final IPSAS is not expected until late 2027 or 2028. However, considering that presentation and disclosure is an important aspect of reporting, it is useful to start influencing the direction of this project early.

Overview of agenda item

Project status	
Board action required	<p>Medium complexity</p> <ul style="list-style-type: none"> • PROVIDE FEEDBACK on the draft comment letter on the IPSASB CP <i>Presentation of Financial Statements</i>; and • AGREE to publish the draft comment letter on the XRB website to seek stakeholder feedback.

Purpose¹

1. The purpose of this memo is to seek the Board’s feedback on our draft comment letter on the IPSASB Consultation Paper (CP) *Presentation of Financial Statements* – as well as the Board’s agreement to publish our draft comment letter on the XRB website, as additional means of seeking feedback from New Zealand stakeholders on the CP proposals.

Recommendations

2. We recommend that the Board:
 - (a) **PROVIDES FEEDBACK** on the draft comment letter on the IPSASB CP *Presentation of Financial Statements*; and
 - (b) **AGREES** to publish the draft comment letter on our website to seek New Zealand stakeholders’ feedback.

Structure of this memo

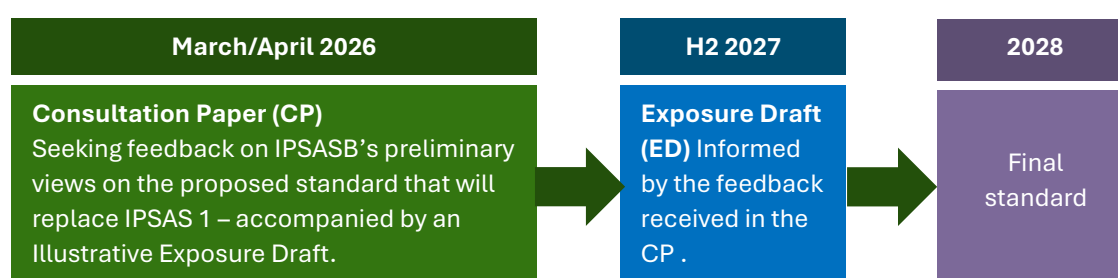
3. The remaining sections of this memo are:
 - (a) [Background](#)
 - (b) [Reminder: What does the CP propose](#)
 - (c) [Outreach and research activities to date](#)
 - (d) [Key proposals – considerations to date](#)
 - (i) [New categories and subtotal for the statement of financial performance](#)
 - (ii) [Enhanced guidance on aggregation and disaggregation](#)
 - (iii) [Management-defined performance measures \(MPMs\)](#)
 - (e) [Consideration of the other proposals in the CP](#)
 - (f) [Draft comment letter](#)

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

- (g) [Next steps](#)
- (h) [Appendix - Preliminary cost-benefit considerations](#)

Background

4. The IPSASB issued the [CP Presentation of Financial Statements](#), together with an [Illustrative Exposure Draft](#) (Illustrative ED), in April 2026. The CP proposes to introduce a new standard to replace IPSAS 1 *Presentation of Financial Statements* – to enhance the communication effectiveness of public sector financial statements.
5. The IPSASB’s preliminary view is that the new standard should be largely aligned with IFRS 18 *Presentation and Disclosure in Financial Statements*, issued by the IASB in 2024 – with modifications to reflect the public sector context.
6. The IPSASB plans to consult on this project in two stages, before issuing a final standard:



7. At the NZASB February 2026 meeting, we informed the Board about the key proposals in the (then forthcoming) IPSASB CP. The NZASB tentatively agreed to comment on the CP at the February 2026 meeting, and formally re-confirmed this decision at the April 2026 meeting, once the IPSASB had approved the CP.
8. Since the NZASB April meeting, the IPSASB published the CP, and we published it on [our website](#). Comments on the CP are due to the XRB by [17 July 2026](#) (we aim to seek the NZASB’s approval of the letter at the August 2026 meeting), and to the IPSASB by 14 September 2026.
9. As explained in the next section of the memo, we also commenced outreach and research activities, to inform the drafting of the NZASB comment letter.
10. While the consultation is still at a relatively early stage, at this meeting we are recommending to publish the draft comment letter (updated for the NZASB’s comments) on our website. We recommend this course of action for the following reasons:
 - (a) We consider that a draft comment letter with our preliminary views – informed by preliminary research and feedback received to date – would provide a useful tool in seeking feedback from NZ stakeholders on the IPSASB CP proposals. Stakeholders would be able to consider our preliminary views and let us know whether they agree or disagree, whether there are further points that we should cover, etc.
 - (b) We found that this approach worked well during our recent consultation on the IPSASB 2025 Work Programme Consultation.
11. Therefore, at this meeting we are seeking the Board’s feedback on the draft comment letter, and agreement to publish the draft letter on our website.

Reminder: What does the IPSASB CP propose

12. The key proposals in the [IPSASB CP](#) are:
- (a) **New categories and subtotal** in the **statement of financial performance** (see paragraphs 24–28 of this memo);
 - (b) **Enhanced** guidance on the **grouping of information** (see paragraphs 71–74); and
 - (c) **No** requirements for **management-defined performance measures** (see paragraphs 81–89)
13. The CP also proposes to:
- (a) Carry over into the new standard a number of existing requirements in IPSAS 1 – similar to how IFRS 18 carried over existing requirements from IAS 1. For example, the CP proposes to retain:
 - (i) the list of revenue and expense items that are required to be presented in the statement of financial performance (although these items may need to be split out between two or more categories); and
 - (ii) the requirement to present the total surplus or deficit for the year – as well as the existing presentation requirements for the statement of financial position; and
 - (b) Add into the proposed new IPSAS certain requirements that the IASB added into IAS 1 before IFRS 18 was issued, and which were carried over to IFRS 18, but are currently not included in IPSAS 1. For example, the CP proposes to add:
 - (i) the requirement to present an additional statement of financial position at the beginning of the preceding period (i.e. ‘third balance sheet’) in the event of a material prior period reclassification or restatement;
 - (ii) clarifications relating to disclosures, including in relation to materiality and order of the notes as introduced by the IASB amendment *Disclosure Initiative* (2014);² and
 - (iii) the requirement to disclose material accounting policies as introduced by the IASB amendment *Disclosure of Accounting Policies* (2021).
14. Furthermore, the CP noted that the IPSASB considered whether to introduce the concept of other comprehensive income (OCI) into IPSAS but decided **not** to propose this. PBE Standards already contain the concept of OCI, i.e. other comprehensive revenue and expenses.
15. The key CP proposals are discussed in the section [Key proposals – considerations to date](#), and other CP proposals are discussed in [Table 1](#) below.

Outreach and research activities to date

Outreach activities

16. Since the NZASB April meeting, in addition to publishing the IPSASB CP on our website, we also undertook the following outreach activities:
- (a) Notified stakeholders about the CP through an Accounting Alert;
 - (b) Had a preliminary discussion with the Accounting Technical Reference Group (TRG) on certain aspects of the CP;

² Those amendments are already included in PBE IPSAS 1, but not in IPSAS 1.

- (c) Considered preliminary views previously expressed by New Zealand and Australian stakeholders (referred in this memo as ‘the public sector working group’) during discussions with the IPSASB Member from New Zealand when the CP was being developed;
 - (d) Reached out to Treasury, the Audit Office and a representative of a local council to have a preliminary discussion on the CP (we will inform the Board if these discussions take place before the NZASB meeting); and
 - (e) Organised a meeting with our PBE Working Group, with representatives of public sector and not-for-profit (NFP) PBEs – this meeting is scheduled for 24 June.
17. After the NZASB June meeting, we plan to continue outreach with the TRG and stakeholders in the public and NFP sectors, using our draft comment letter to support discussion.

Research to understand the current presentation practice in New Zealand

18. We undertook targeted research of financial statements of New Zealand PBEs to better understand the current presentation practice. This research focuses on:
- (a) The presentation of the statement of financial performance³ – to assess the extent of diversity in practice and the potential implications of introducing the proposed IFRS 18-based categories and subtotal on New Zealand public sector PBEs;
 - (b) The presentation of the statement of financial position and reconciliations of the components of net assets/equity – to inform our response to specific preliminary views (PVs) in the CP; and
 - (c) The use of non-GAAP measures by public sector entities – to help us consider whether disclosure requirements based on the IFRS 18 requirements for ‘management-defined performance measures’ (MPMs) might be useful in the public sector in New Zealand. Please note that this work was limited to PBEs’ annual reports and financial statements due to time constraints.
19. This research involved reviewing 4 model financial statements issued by the Audit Office and a sample of 17 recently issued financial statements of New Zealand PBEs. The sample of 17 comprised:⁴
- (a) In terms of entity type: The New Zealand Government, 3 departments, 3 councils, 2 tertiary education institutions (TEIs), 1 school, and 7 Crown entities (including health, housing, research, museum, and transport entities); and
 - (b) In terms of size: 15 Tier 1 PBEs and two Tier 2 PBEs.

Research to understand Australia’s proposals on the application of IFRS 18

20. We also reviewed Australia’s proposals on the application of IFRS 18-based requirements in the public and private not-for-profit sectors, along with feedback received on these proposals. We did this to understand the AASB’s views on which IFRS 18-based requirements should be applied by those entities and consider whether similar reasoning may be relevant in the New Zealand context.

³ New Zealand PBEs generally present a single statement of comprehensive revenue and expenses, rather than a separate statement of financial performance and a statement of other comprehensive revenue and expenses. However, we are referring to ‘statement of financial performance’ throughout this memo for ease of cross-reference to the IPSASB CP (which refers to the statement of financial performance).

⁴ The list of the public sector entities whose financial statements we reviewed can be made available to NZASB members on request.

21. The outreach and research activities above helped inform our draft comment letter. The details of our findings are provided in the next section and in [Table 1](#) below.
22. Please note that Table 1 does not include the AASB's proposals relating to Australian superannuation entities applying AASB 1056 *Superannuation entities*. These proposals are not relevant in the New Zealand context as we are not aware of any PBE superannuation entities in New Zealand.

Key proposals – considerations to date

23. Our key considerations, based on outreach and research to date, are outlined below.

New categories and subtotal for the statement of financial performance

What does the IPSASB CP propose?

24. Currently, IPSAS 1 requires certain specific items to be presented in the statement of financial performance, including revenue, and to present the total surplus or deficit for the period – but it does not require categorising revenue and expenses into specific categories and does not require any specific subtotals to be presented. The same applies to PBE IPSAS 1.
25. The CP proposes to introduce the following changes for the statement of financial performance:
 - (a) New categories for presenting revenue and expenses: operating, investing and financing categories.
 - (b) New subtotal: operating surplus or deficit.
26. The descriptions of these categories and subtotal are aligned with IFRS 18, with some additional public sector guidance on categorisation (noting that the IPSASB does **not** propose to require presenting a subtotal similar to the 'profit or loss before financing and income taxes' subtotal in IFRS 18 – i.e. 'surplus or deficit before financing and income tax').
27. By introducing a more structured approach to presenting revenue and expenses, the IPSASB aims to make public sector entities' financial statements easier to understand, compare and analyse. This is intended to help public sector entities discharge their accountability obligations and meet primary users' decision-making needs.
28. The IPSASB proposals are expressed on this topic in PV 8 and PV 9.

What issues are the proposals trying to address?

29. The main driver behind the IASB's introduction of the categories and subtotals in IFRS 18 was concerns from users of financial statements (particularly investors) regarding diversity in presentation and calls from users to improve comparability in this regard. More details are included below.
 - (a) We understand that in developing the ED for IFRS 18, IASB staff looked at the financial statements of around 60 companies in different countries, found that the majority of these companies use a subtotal called 'operating profit', but there were 9 different versions of how that subtotal was calculated.⁵ The IASB heard that this diversity was a concern for users of financial statements (particularly investors).
 - (b) As noted in paragraph BC3 of IFRS 18: "Entities that applied IAS 1 often presented subtotals using the same label, but which included varying income and expenses. Such diversity made it difficult for users of financial statements to understand and compare

⁵ See [IFRS - Strengthening the relevance of financial reporting](#)

information. Comparability is important to users, particularly to buy-side investors, who typically analyse many entities in varied industries.”

- (c) In introducing required categories and subtotals, IFRS 18 aims to provide a consistent structure for the statement of profit or loss, with a view to improving comparability between entities – and to address respondents’ concerns about the diversity in presentation.
30. As noted above, the IPSASB proposes to introduce IFRS 18-based categories for revenue and expenses and the IFRS 18-based ‘operating surplus or deficit’ subtotal to improve the comparability and understandability of public sector financial statements, for the benefit of primary users. However, the following key questions arise:
- (a) Does the diversity in presentation that the categories and subtotals in IFRS 18 aim to address in the private sector also exist in the public sector; and
 - (b) If there is diversity of presentation in the public sector, *does it cause concern or challenges* to primary users of public sector financial statements (e.g. in terms of their ability to understand entities’ performance or make decisions based on financial statements) or public sector entities (e.g. in terms of the ability to access funding).
31. If the answer to both questions is yes, then there are clear benefits to introducing a more structured presentation approach via IFRS 18-based categories. These benefits are likely to justify the costs to preparers arising from the presentation change.
32. However, if there are no concerns from users or public sector entities, then it is less clear whether the benefits of the proposed changes would outweigh the costs.

What the IPSASB observed

33. As noted in paragraph 1.4 of the IPSASB CP, the IPSASB has observed diversity in practice in terms of the presentation of the statement of financial performance in the public sector. Specifically, the IPSASB noted the following:
- (a) “Inconsistencies in the structure of the Statement of Financial Performance — specifically, the practice of presenting certain items of revenue and expenditure separately from an entity’s surplus or deficit for the period”; and
 - (b) “Increased reporting of non-GAAP measures in financial statements, such as additional sub totals in the Statement of Financial Performance – the most common being ‘operating surplus or deficit’. The calculation of these non-GAAP measures varies extensively between different jurisdictions”.
34. For example, at the IPSASB’s December 2024 meeting⁶, IPSASB staff noted that many central governments are currently presenting an ‘operating surplus or deficit’ or similar subtotal in the statement of financial performance, to provide a measure of financial performance that reflects the delivery of core public service activities in the financial period. However, as IPSAS 1 does not currently define nor require presenting an ‘operating surplus or deficit’ subtotal, there is no consistent approach to calculating this subtotal, with different governments making different decisions in this regard – as illustrated in the extract below from the IPSASB’s papers.

⁶ See [Agenda Item 7.2.3](#) of the IPSASB December 2024 meeting, Appendix 2.

Figure 1 Extract from IPSASB Agenda Item 7.2.3 - December 2024

Philippines National Government	Australian Government	HM Treasury – Whole of Government Accounts
Statement of Financial Performance For the year ended 31 December 2021	Statement of Operations For the year ended 30 June 2023	Statement of Revenue and Expenditures For the year ended 31 March 2022
Revenue Taxation revenue Sale of goods and services Interest revenue Dividend revenue Other gains on non-financial assets Other revenue	Revenue from transactions Taxation revenue Sale of goods and services Interest revenue Dividend revenue Other revenue	Revenue from transactions Taxation revenue Sale of goods and services Interest revenue Dividend revenue Other revenue
Total revenue	Total revenue	Total public service revenue
Expenses Transfer payments and subsidies Personnel expenses Depreciation Interest expense Other operating expenses	Expenses Transfer payments and subsidies Personnel expenses Depreciation Interest expense Other operating expenses	Expenses Transfer payments and subsidies Personnel expenses Depreciation Interest expense Other operating expenses
Total current operating expenses	Total expenses	Total expenditure on public services
Surplus/(Deficit) from current operations	Net operating balance	Net expenditure on public services
Net assistance subsidy Other non-operating income Sale of assets Reversal of impairment loss Fair value gains on financial instruments Miscellaneous income Losses Loss on sale of property Loss on foreign exchange	Other economic flows Gains/(losses) on financial instruments	Financing costs of long-term liabilities Revaluation of financial assets and liabilities
Surplus/(deficit) for the year	Operating result	Net income/(expenditure) for the year

35. Having said this, we are not certain whether the abovementioned diversity in presentation has been causing challenges to primary users of financial statements, and/or to public sector entities themselves, e.g. in trying to obtain funding. We have reached out to IPSASB staff to confirm this and will update the NZASB verbally should we receive a reply before the Board meeting.

New Zealand practice, expected impact of the proposals and feedback to date

What we have observed so far in New Zealand

36. In New Zealand, the Audit Office publishes model financial statements for different types of public sector entities, e.g. government departments, councils, Crown Entities and TEIs.
37. In these model financial statements, the statement of comprehensive revenue and expense presents the total surplus or deficit for the year and other comprehensive revenue and expense (OCRE), as required by PBE IPSAS 1. The only subtotals presented are total revenue and total expenses. Items such as ‘share of associate or joint venture surplus’ and ‘income tax’ (where relevant) are presented separately from total revenue and total expenses. The portion of the net surplus attributable to non-controlling interests is also presented where relevant (e.g. for a council).
38. We also note that the NZ Treasury issues instructions for government departments covering the preparation of financial statements. The Treasury Instructions (latest version available [here](#)) specifically require departments to present gains and losses on the revaluation of assets and liability that are recognised in surplus or deficit separately from total revenue and total expenses.
39. The Treasury guidance for Crown Entities, *Preparing the Annual Report and other End-of-Year Performance Reporting*, refers Crown Entities to the model financial statements issued by the Audit Office.

40. In the sample of public sector entities' financial statements that we reviewed:⁷

- (a) Councils (3 out of 3) and departments (3 out of 3) seem to closely follow Audit Office model financial statements – except that two councils in our sample present 'other gains and losses' separately from revenue and expenses. It appears to us that this contributes to reasonably consistent presentation both between councils and between government departments.
- (b) About half of the entities (9 out of 17) present total revenue and total expenses as the only subtotals, with share of associates' or joint ventures' surplus and 'income tax' (where relevant) being presented separately from revenue and expenses – consistent with the model financial statements mentioned above.
- (c) About 40% of the entities (7 out of 17) present 'other gains and losses' or specific gains and losses separately from total revenue and total expenses. Such separately-presented gains and losses include, for example:
 - (i) fair value movements relating to financial instruments and investment properties;
 - (ii) gains or losses on disposal of property, plant and equipment; and
 - (iii) write-offs of assets.

Sometimes the share of associate's or joint venture's surplus was included within 'other gains or losses'. Within our sample, entities that present certain gains/losses separately from total revenue and total expenses include the Government, councils and some Crown Entities. Despite presenting 'other gains and losses' separately, the majority of these entities do not present a *subtotal* of surplus or deficit before 'other gains or losses' (only a small number present such a subtotal).

- (d) A couple of entities presented items other than gains or losses as described above separately from total revenue and expenses. For example:
 - (i) One entity (a museum) presented depreciation and amortisation separately from revenue and expenses, with a subtotal of 'revenue before depreciation and amortisation'.
 - (ii) Another entity (a fund administered by a Crown Entity and subject to the requirements of the Crown Entities Act) presented items to be funded from future revenue – including finance charges – separately from items to be funded from the current fund balance.

41. Based on the observations above, the main 'source' of potential diversity in presentation seems to be that some entities present 'other gains and losses' separately, whereas other entities do not. However, as the Treasury requires such gains and losses to be presented separately from total revenue and expenses for government departments – and since we observe that some councils and Crown Entities also follow this presentation (and those that do not may not have material gains and losses), this may be an area of consistency, rather than diversity. We will confirm this through further discussions with stakeholders.

42. The remaining examples of diversity in presentation that we observed, per paragraph 40(d) above, were not widespread in our sample. Therefore, based on our sample, the extent of diversity in presentation of the statement of financial performance among NZ public sector PBEs may not be significant.

⁷ The list of the public sector entities whose financial statements we reviewed can be made available to NZASB members on request.

43. At this stage, we have not analysed the financial statements of New Zealand not-for-profit PBEs, and we note that this is not required for the purposes of our comments to the IPSASB (as the IPSASB CP is focused on the public sector). When the IPSASB issues an ED in the second stage of this project, we will consider in more detail what this means in the context of not-for-profit entities.

Expected impact of the IPSASB’s proposals in New Zealand

44. As discussed with the NZASB in February 2026, the IPSASB proposals (if introduced in NZ) would require NZ PBEs to determine in which category each item of revenue and expense should be presented, i.e. the operating, investing or financing category. PBEs may then need to change the location of items in the statement of financial performance and to ‘split’ certain revenue or expense items between different categories. These changes are illustrated in the following example from the IPSASB CP:

Figure 2: Potential changes under the new categories

Illustrative Example 3: Education Institute

Current presentation		Proposed presentation	Category
Education Institute		Education Institute	
<i>for the year ended December 31, 20X6</i>		<i>for the year ended December 31, 20X6</i>	
Government grants	xx	Government grants	xx Operating
Tuition fees	xx	Tuition fees	xx
Research and contracts	xx	Research and contracts	xx
Other revenue	xx	Other revenue (operating portion)	xx
Other gains/(losses)	xx	Transfer of funds from restricted to unrestricted	xx
Transfer of funds from restricted to unrestricted	xx		
Total operating revenue	XX		
		People costs	(xx)
People costs	xx	Operating costs	(xx)
Operating costs	xx	Depreciation and amortization	(xx)
Finance costs of borrowing	xx	Operating surplus or deficit	XX
Depreciation and amortization	xx		
Total operating expenses	XX	Other revenue (investing portion)	xx Investing
		Other gains/(losses)	xx
Net surplus/(deficit) before tax	XX		
		Finance costs of borrowing	(xx) Financing
Income tax expense/(benefit)	xx		
Net surplus/(deficit) after tax	XX	Income tax expense/(benefit)	xx Income taxes
		Surplus or deficit	XX

45. In the example above, under the IPSASB’s proposals based on the IFRS 18 categories, a PBE would need to make the following presentation changes in its statement of financial performance:

- (a) Change the location/ordering of some of its items – e.g. finance costs would need to move down to be presented below the ‘operating surplus or deficit’ total.
- (b) Split certain items between the new categories – e.g. if the item ‘other revenue’ contained, say, revenue from event ticket sales and book sales, plus dividend revenue from investments recognised as financial assets, then under the IFRS 18-based requirements the dividend revenue would need to be split out into the ‘investing’ category, with the rest of the item being included in the ‘operating’ category (but this would be subject to materiality considerations).

Feedback received to date – public sector

Is diversity in presentation causing challenges currently?

46. We are currently not aware of any concerns in New Zealand about the abovementioned diversity in presentation of revenue and expenses in the public sector.

Are the proposed IFRS 18 categories and subtotal appropriate for the public sector?

47. In our preliminary discussions with the ‘public sector working group’ (see paragraph 16(c)), we heard comments that having consistency in presentation is generally positive, and having specific required subtotals could help prevent opportunistic and/or inappropriate presentation choices. However, there was also a question as to whether the IFRS 18 categories are the right ones for the public sector.
48. In our preliminary discussion with the Accounting TRG, there were mixed views on the IPSASB’s proposed categories and subtotal.
- (a) A TRG member noted that alignment with IFRS 18 is not what the IPSASB should be focusing on at this time, noting that when it comes to comparability, comparisons of public sector entities should be based on value for money – rather than on financial performance categories and operating surplus. He noted that if the IPSASB is inclined to undertake a presentation project, the project should rather focus on better links between financial performance and service performance information.
 - (b) Another TRG member expressed mixed views – agreeing with the comments mentioned above, but also noting the benefits of alignment between PBE Standards and for-profit sector (allowing accountants to move between the for-profit and public sector, considering the limited ‘pool’ of accountants in New Zealand), and the benefits of comparability between different countries’ governments from the perspective of the OECD and IMF (but noting that some governments might not apply IFRS 18 categories at a whole-of-government level in any case).
 - (c) A third TRG member noted a preference to first see how IFRS 18 ends up being applied in practice in the private sector, before bringing IFRS 18-based requirements into IPSAS.
49. We have not attempted to apply the proposed IFRS 18-based categories to the public sector financial statements that we reviewed, so we currently do not have direct experience with how easy or challenging it might be to determine which category applies to each item of revenue and expense.
50. However, we have received the following feedback on the IFRS 18-based categories themselves:
- (a) Two TRG members noted that the distinction between investing activities and operating activities could be unclear in the public sector, e.g. for agencies that invest in regional development through associates and joint ventures, which is done to achieve service delivery objectives, rather than receive financial returns from those entities.
 - (b) A TRG member also noted that government departments would usually not have items that fit into the financing category, so this category would have limited applicability for departments – whereas there would be financing category items at a whole-of-government level. In preliminary discussions with the ‘public sector working group’ (see paragraph 16(c)), it was noted that governments arrange financing at the whole-of-government level and provide the funding to departments and other agencies through appropriations.
 - (c) In preliminary discussions with the ‘public sector working group’, there was discussion on whether targeted rates and levies for capital projects should be classified in the operating category or investing category, and it was noted that guidance on this would be useful.
 - (d) In the same preliminary discussions, it was noted that guidance on the categorisation of revenue and expenses from service concessions arrangements would be useful, considering that service concession arrangements from a grantor’s perspective are public

sector-specific transactions that are not covered by IASB literature, and there is no specific guidance on the presentation of revenue and expenses from these arrangements in the IPSASB's Illustrative ED.

51. In addition, we are hearing feedback in the for-profit sector that classifying certain types of transactions, e.g. foreign exchange movements, could be challenging. We expect similar challenges to arise in the public sector/for PBEs.
52. Based on the feedback above, while it appears that for many public sector entities, most revenue and expense items would be classified in the operating category, it seems that there could also be challenges in determining whether certain items should be classified in the operating or investing categories – and there seem to be questions around the meaning of the investing category in the public sector context.

Feedback received to date – not-for-profit sector (limited feedback)

53. We have not yet analysed financial statements of New Zealand not-for-profit PBEs (as noted above, this is not needed for the purpose of the comment letter to the IPSASB).
54. We note that in a recent discussion with a not-for-profit PBE with for-profit subsidiaries ('mixed group'), the PBE noted the benefit of having consistent presentation of the statement of financial performance among the PBEs and for-profit entities within the group.
55. A TRG member noted that the more structured approach to the presentation of the statement of financial performance could be useful in the not-for-profit space, to improve consistency and reduce diversity in practice. However, that member particularly highlighted the IPSASB's proposals relating to aggregation and disaggregation (rather than the specific proposed categories), and he was uncertain as to whether a new standard or amendments to the existing standard may work best.
56. We plan to discuss the IPSASB proposals with stakeholders in the NFP sector, e.g. via the PBE Working Group (but noting that the IPSASB proposals focus on the public sector).

Developments in Australia

57. In Australia, the suite of Australian Accounting Standards applies to both for-profit entities and 'not-for-profit' ('NFP') entities – noting that the reference to 'NFP' in AASB literature has a similar meaning to 'PBE' in XRB literature.
58. In June 2024, the AASB issued [*AASB 18 Presentation and Disclosure in Financial Statements*](#), for application by all reporting entities. However, application for NFP entities in the private and public sector and for superannuation entities was deferred to 1 January 2028, as the AASB agreed to undertake further work to determine how AASB 18 should apply to the abovementioned entities.
59. The outcome of this work was the AASB's Exposure Draft [*ED 338 Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation*](#). ED 338 proposes modifications to AASB 18 for 'NFP' entities and certain other entities. Comments on ED 338 were due in February 2026 and the AASB is currently deliberating on stakeholders' feedback received.
60. Regarding the proposed new categories and subtotal for the statement of financial performance:
 - (a) NFP public sector entities (except universities): Considering the supportive feedback on the ED proposals, the AASB [*agreed in May 2026*](#) that NFP public sector entities (except universities) should *not be required* to apply the IFRS 18-based categories to the

presentation of revenue and expenses (rather, it is an accounting policy choice). This means that instead of adopting IFRS 18 categories and subtotals, governments will continue to present their whole-of-government financial statements in accordance with [AASB 1049 Whole of Government and General Government Sector Financial Reporting](#), and other NFP public sector entities would be permitted to continue using current presentation formats, e.g. those set out by Treasuries for government departments and by the Office of Local Government for councils.

- (b) NFP private sector entities and universities: [ED 338](#) proposed that the IFRS 18 categories should be applied to these entities without modifications, as there was no indication that such modifications were needed (unlike for NFP public sector entities). However, considering feedback received on ED 338, the AASB [agreed in May 2026](#) to develop a further ED to address application challenges relating to the categorisation of revenue and expenses into the IFRS 18 categories.

- 61. In New Zealand, there is no PBE Standard equivalent to AASB 1049 or any standard that sets specific presentation requirements for the Government's statement of financial performance or other primary financial statements. Having said this, the NZ Treasury's instructions for government departments cover some elements of the 'face' of the financial statements, and the Audit Office provides model financial statements for various public sector entities.

Staff conclusions

Is there an issue to be resolved?

- 62. We acknowledge that the IPSASB observed diversity in the presentation of the statement of financial performance across different jurisdictions and entities.
- 63. However, there is a question as to whether this diversity in presentation is causing concerns or challenges for users of public sector entities' financial statements – in the same way that it caused concerns and challenges to investors in the for-profit context. We are currently not aware of such concerns in the public sector in New Zealand.

Costs vs benefits of the IPSASB proposals

- 64. We acknowledge that the IPSASB's proposed IFRS 18-based categories and subtotal aim to enhance comparability between public sector entities' financial statements, and comparability is recognised in the IPSASB and PBE Conceptual Framework as a qualitative characteristic of useful financial information.
- 65. As previously discussed with the Board, we also acknowledge that the nature of the benefit of comparability is different in the public sector compared to the for-profit sector – although we consider that enhanced comparability is still a benefit in the public sector (which needs to be weighed up against the costs of the proposals).
 - (a) Some primary users such as investors, lenders and donors may compare different public sector entities' financial statements to decide whether to buy the entity's/government's bonds or provide funding.
 - (b) Other primary users such as taxpayers and ratepayers do not have discretion over whether to provide resources to the government and its departments and agencies and to councils via taxes and rates. While they could move to a different country or city to avoid providing resources to a government or a council, they are unlikely to do so on the basis of financial statements. For such users, enhanced comparability is arguably still useful for accountability purposes, for the reasons explained in the cost/benefit analysis in the

[Appendix](#) to this memo – in terms of assessing the entity’s performance against other similar entities.

66. We also acknowledge that a more structured approach to the presentation of the statement of financial performance can help improve the understandability of public sector entities’ financial statements. This benefit is also discussed in the [Appendix](#) to this memo.
67. In feedback received so far, there was some support for enhanced structure and consistency in the presentation of financial performance in general (albeit not necessarily via IFRS 18 categories).
68. An additional benefit of the IPSASB’s proposals is enhanced alignment between the public sector (and not-for-profit sector in New Zealand) and the for-profit sector. The comparability benefits for investors who buy bonds in both the private and public sectors was mentioned above. In addition, alignment between PBE Standards and for-profit standards also means that the limited ‘pool’ of accountants and auditors in New Zealand can move more easily across both suites of standards, which improves accessibility to accountants for PBEs – as mentioned in feedback received to date. There are also potential benefits from alignment with the latest international thinking of the presentation of financial statements, as well as benefits for ‘mixed groups’ that contain both PBEs and for-profit entities, in terms of efficiency and consistent presentation within the group (see the [Appendix](#)). For these reasons, we usually support alignment between IPSAS and IFRS Accounting Standards.
69. However: We also note that there are likely to be costs for PBE preparers in adopting the IFRS 18 categories and subtotal, in terms of changing current presentation in general, and in terms of applying the categories in situations where this is not straight-forward (see the potential costs mentioned in the [Appendix](#)). Also, based on feedback received so far, we note that some questions are arising regarding the application and/or meaning of the investing category in the public sector context. These potential costs and challenges are potentially compounded by the fact that it is currently unclear whether there is an issue with current presentation practice that needs to be resolved (see above).

Conclusion

70. The IPSASB CP proposes to introduce IFRS 18-based categories and the subtotal of ‘operating surplus or deficit’ into the statement of financial performance, to reduce current diversity in presentation practice and to improve the comparability and understandability of public sector financial statements. However, it is currently not clear from the CP whether the observed diversity in practice is causing challenges or concerns to primary users of public sector financial statements or to public sector entities themselves, what is the nature of the challenge, which users are facing challenges, etc. It is important to clearly articulate these challenges and concerns, if they exist, and then to assess the costs and benefits of the proposed change in presentation requirements against the issue that needs to be resolved. We acknowledge that the proposals give rise to both costs and benefits, which we will discuss with stakeholders during the consultation period. However, as long as the issue to be resolved is not clear, we consider that it is difficult to support the proposed categories and subtotal. We have reflected this in our draft comment letter.

Enhanced guidance on grouping of information

What does the IPSASB propose

71. The IPSASB CP proposes enhanced guidance on the grouping of information in financial statements – including:

- (a) requirements on the aggregation and disaggregation of information in the primary financial statements and in the notes (e.g. requirements and guidance on aggregating information based on shared characteristics, restrictions on using the label ‘other’) (included in PV 4 point (c)(i)); and
 - (b) the roles of the primary financial statements and notes (see PV 4 in [Table 1](#) below).
72. Some of the proposals are based on the concept of a ‘useful structured summary’ introduced by IFRS 18 for primary financial statements. For example, the proposed role of primary financial statements is to provide structured summaries of the entity’s assets, liabilities, net assets/equity, revenue, expenses, and cash flows. An entity may present line items in a primary financial statement in addition to those specifically required in IPSAS if doing so would result in a useful structured summary.
73. These proposals are aligned with IFRS 18, with some additional public sector guidance. These proposals aim to help public sector entities present their primary financial statements and notes in a way that is relevant and useful to primary users.
74. The IPSASB is also seeking views on whether to allow a ‘mixed’ presentation of expenses by nature *and* by function in the statement of financial performance. See SMC 1 in [Table 1](#) below.

Developments in Australia

75. In considering the application of AASB 18 (based on IFRS 18) to ‘NFP’ public sector and private sector entities, the AASB proposed in [ED 338](#) that:
- (a) Governments applying AASB 1049 (i.e. state and territory governments and the Commonwealth government) should present in the primary financial statements all the line items and subtotals required by AASB 1049, without considering whether doing so would result in a useful structured summary;
 - (b) NFP public sector entities can choose between the following options in the statement of financial performance:
 - (i) present operating expenses by nature, function or a mixed of both in a way that provides the most useful structured summary, as per the IFRS 18-based requirements; or
 - (ii) present expenses by either nature or function (but not a mix of both), whichever provides information that is reliable and more relevant (i.e. without the need to assess whether doing so would result in a useful structured summary).
76. It was noted that the modifications above would allow presentation requirements to continue to be prescribed by AASB 1049 for governments and by Treasuries and Office of Local Government for government-controlled entities and councils respectively, noting that these existing requirements are seen as useful. As noted above, there is no equivalent to these specific presentation requirements for New Zealand PBEs.
77. Other than the above, the AASB did not propose any exemption for NFP public or private sector entities from the IFRS 18-based enhanced aggregation/disaggregation requirements.

Feedback in New Zealand

78. The preliminary feedback that we heard to date indicates that the proposed enhanced requirements relating to aggregation and disaggregation would be useful for New Zealand PBEs in the public and NFP sectors.

79. We are also hearing in the for-profit sector that the aggregation and disaggregation requirements in IFRS 18 are giving entities an opportunity to re-consider presentation decisions and refresh focus on what information is important for primary users. The IPSASB's proposals in this area could help achieve the same benefit for PBEs.

Staff conclusions

80. Based on preliminary feedback and considerations to date, we consider the proposed enhanced requirements on aggregation and disaggregation to be useful.

Management-defined performance measures (MPMs)

Definition of MPMs per IFRS 18

81. In IFRS 18, 'management defined performance measures' (MPMs) are subtotals of income and expenses that:
- (a) an entity uses in public communications outside of the financial statements;
 - (b) an entity uses to communicate management's view of an aspect of the entity's financial performance as a whole; and
 - (c) are not certain well-understood measures listed in IFRS 18 (e.g. gross profit or loss, profit or loss before income taxes) and are not specifically required to be presented or disclosed by IFRS Accounting Standards.

The XRB newsletter [NZ IFRS 18 on the 18th - MPMs - Part 1](#) provides further details about the definition of MPMs and a brief summary of how to identify MPMs.

82. IFRS 18 requires entities to provide disclosures about MPMs, including:
- (a) a description of the aspect of financial performance that, in management's view, is communicated by the management-defined performance measure.
 - (b) how the MPM is calculated; and
 - (c) a reconciliation between the MPM and the most directly comparable IFRS total or subtotal.

The XRB newsletter [NZ IFRS 18 on the 18th - MPMs - Part 2](#) provides further details about the disclosures required for MPMs.

83. The IASB introduced the MPM requirements to address feedback from users of financial statements, who noted that some non-GAAP measures are useful in analysing entities' performance – but also expressed concern that information about such measures, including why the measures are used and how they are calculated, were sometimes difficult to find and understand. Also, entities typically reported such measures outside the financial statements, where they are often not subject to assurance.

IPSASB proposals – not to introduce MPMs

'No' to IFRS 18 MPMs

84. The IPSASB noted that alternative performance measures that could meet the narrow IFRS 18 MPMs definition are not prevalent in the public sector. Performance reporting in the public sector typically focuses on non-financial metrics (such as service delivery targets), budgetary and statistical information (such as budget variances or GDP), and debt-related measures (such as net debt) – or subtotals of only revenue items, or only expense items rather than subtotals of revenue and expenses.

85. Therefore, the IPSASB proposes not to incorporate the IFRS 18 definition of, and disclosure requirements for, MPMs into the IPSAS Standards. (PV 15).

'No' to MPMs adapted for public sector

86. The IPSASB also considered amending the IFRS 18 MPM concept and definition for the public sector and introducing disclosure requirements similar to those for IFRS 18 MPMs. To make this decision, the IPSASB considered the reason why the IASB introduced the MPM requirements (see the previous subsection) and whether there is a similar need for greater transparency over the use and measurement of alternative performance measures that are communicated outside the financial statements in the public sector. The IPSASB noted that alternative performance measures in the public sector are:

- (a) typically commonly used and well understood by public sector constituents;
- (b) in most circumstances, already subject to established industry standards and/or local requirements, laws, and regulations; or
- (c) in limited circumstances, provided voluntarily by the entity for transparency and accountability purposes. In such cases, the entities generally are transparent and consistent in their communication of such measures.

87. The IPSASB also noted practical challenges in amending the definition (and therefore scope) of MPMs in a way that would be appropriate for public sector entities globally, and the additional cost on preparers to meet any such new disclosure requirements.

88. The IPSASB also highlighted that the IPSASB's RPGs (especially RPG 2, *Financial Statement Discussion and Analysis*) already provide non-authoritative guidance and best practices to help public sector entities communicate information about the entity to its financial statement users.

89. Therefore, the IPSASB proposes not to include an amended IFRS 18 MPM concept for application in the public sector (PV 16). However, the IPSASB seeks feedback on whether there is a need for MPM or adjusted MPM requirements for public sector entities.

New Zealand practice and feedback

90. Based on feedback received to date, MPMs are expected to be rare for government departments.

91. The NZ Government reports operating balance before gains and losses (OBEGAL) and OBEGALx (OBEGAL less revenue and expenses of ACC). In our understanding, these measures meet the IFRS 18 definition of MPMs.

92. Our review of a sample of public sector entities' annual reports identified that:

- (a) Some entities present alternative financial performance measures outside of the financial statements – for example, adjusted net surplus before tax reported by a TEI, and EBITDA reported by a Crown Entity;
- (b) Crown Entities present surplus/deficit per output; and
- (c) Councils present in their Funding Impact Statements the surplus or deficit from operating funding and from capital funding, for each activity as well as for the council/group as a whole.

Some of those measures may meet the narrow IFRS 18 definition of MPMs, but further analysis would be needed to confirm this.

93. We observed, consistent with the IPSASB's findings, that public sector entities use a range of alternative financial measures that do not meet the MPM definition. For example:
- (a) The government reports measures such as core Crown residual cash, net core Crown debt, or gross debt; and
 - (b) Some public sector PBEs publish in their annual reports financial position measures (e.g. 'net debt'), as well as ratios that have financial performance and position elements (e.g. debt to revenue ratio).
94. We note that the financial performance measures reported by the Government (i.e. OBEGAL and OBEGALx as well as core crown residual cash, net core crown debt, or gross debt) are explained in detail in the additional information that accompanies the Government's financial statements. This includes reconciliation to totals and balances in primary financial statements, and an explanation of why these measures are used. In our view, these existing disclosures already largely achieve the outcomes envisaged by IFRS 18 MPM requirements, including if those requirements were extended to measures such as net debt.
95. However, feedback received indicates that this may not be the case for measures reported by other PBEs.

Developments in Australia

Public sector NFP entities to be exempt from identification and disclosure of MPMs

96. The AASB's targeted outreach with Australian NFP public sector stakeholders indicated the following (which is consistent with the IPSASB's views in the CP):
- (a) 'Underlying results' presented in annual reports would meet the definition of an MPM. However, an explanation of how underlying results are calculated is usually provided in the annual report, and therefore, there is little benefit in adding a disclosure note within the financial statements.
 - (b) Subtotals used in public communication are typically well-defined or well-understood by users.
 - (c) Governments publish a broad range of information, including in budgets and annual reports, and share performance and expenditure information on a variety of platforms including websites and media releases. Therefore, it would be difficult for public sector auditors to provide reasonable assurance that the MPMs are complete.
 - (d) Users primarily focus on how the entity's service delivery is funded and the net surplus or deficit of the entity. Therefore, alternative measures of financial performance (such as alternative subtotals of income and expenses) are not widely used.
97. The AASB considered that requiring NFP public sector entities to identify all MPMs and disclose information about them would result in costs outweighing the benefits. As a result, it proposed to give these entities an accounting policy choice to elect not to identify and disclose information about MPMs. Feedback on ED 338 supported this proposal.

No exemptions currently proposed for NFP private sector entities and universities

98. The AASB ED 338 proposed no exemption from identifying and disclosing MPMs for other entities.
99. Feedback on this proposal was mixed for NFP private sector entities and universities:
- (a) Some respondents supported the MPM requirements, noting that they would enhance transparency, comparability and discipline over performance measures commonly

disclosed outside of the financial statements. They also considered MPM disclosures would be decision-useful where investing and financing activities are material.

- (b) However, other stakeholders requested an exemption for NFP private sector entities and universities, arguing that the costs arising from the judgement and effort involved in identifying MPM could outweigh the benefits, and there is a risk that inconsistent application of the requirements would not achieve comparability.
- (c) Several stakeholders indicated that additional guidance would be preferable to exemptions, to mitigate concerns on how to identify MPMs.

100. We understand that the AASB plans to issue a further ED to address application challenges noted by respondents to ED 338.

Staff conclusions

101. Evidence from our review of a sample of public sector PBEs indicates some measures used by New Zealand public sector entities may meet the IFRS 18 definition of MPMs. While the IPSASB concluded that alternative performance measures meeting the IFRS 18 definition of MPM are not prevalent in the public sector, the usage of such measures may be common enough to merit consideration of disclosure requirements.

102. Additionally, preliminary feedback received indicates that 'non-GAAP' performance and position measures in the public sector may not always be well understood by public sector stakeholders and that enhanced disclosure requirements for those measures could be beneficial.

103. However, we also note that public sector entities publish a broad range of information, including in budgets and annual reports, and share performance and expenditure information on a variety of platforms, including websites and media releases. Therefore, it may be difficult and costly:

- (a) For entities to identify MPMs; and
- (b) For auditors provide reasonable assurance that MPM disclosures are complete.

Those challenges would further increase if the scope of the disclosures is broadened to financial performance and position measures beyond the IFRS 18 definition of MPM.

104. Therefore, we consider that the IPSASB should only develop disclosure requirements for MPMs and/or other financial performance or position measures used by public sector entities in public communications if it can identify an approach that minimises the cost of identifying those measures. We will explore whether and to what extent this may be possible as we continue to consult with stakeholders.

Consideration of the other proposals in the CP

105. We have considered the other proposals in the IPSASB CP and the related IPSASB PVs and specific matter for comment (SMC) in Table 1 below. Table 1 summarises:

- (a) Feedback received from New Zealand constituents and research of a sample of New Zealand public sector entities financial statements; and
- (b) Australian [*ED 338 Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation*](#), including the outcomes of the April 2026 AASB meeting.

Our considerations in this table are reflected in the comment letter.

Table 1 Consideration of IPSASB Preliminary Views in the CP

IPSASB Preliminary View (PV)	NZ practice and feedback	AASB proposal ⁸	XRB draft comment letter
Development of New Presentation Standard			
<p>PV 1: The IPSASB’s PV is that the development of a new IPSAS Standard to replace IPSAS 1 should consider IFRS 18, with appropriate adaptations to reflect the objectives of financial reporting by public sector entities.</p>	<p>We agree that there is a need to update IPSAS 1, considering that it currently does not reflect certain changes to the IPSASB Conceptual Framework and international developments on the IASB’s side. We support several of the IPSASB’s proposals in the CP, including those relating to aggregation and disaggregation of information in the primary financial statements and notes, as aligned with IFRS 18 (see discussion above and in relevant parts of this table). However, considering our preliminary views on the proposed IFRS 18-based categories for the statement of financial performance (see discussion in paragraphs 62 – 70), we consider that the benefits of those parts of the CP that we support could be achieved by updating IPSAS 1, rather than issuing a full new IFRS 18-based standard.</p>	<p>AASB have already issued AASB 18, which is based on IFRS 18, which is applicable to both for-profit entities and ‘NFP’ public sector and private sector entities (but with a later effective date for ‘NFP’ entities). Proposed exemptions and modifications to the IFRS 18-based requirements for NFP public sector and private sector entities, as per AASB ED 338, are discussed above and in the relevant parts of this table.</p>	<p>Partially agree</p>
General Presentation Requirements			
<p>PV 2: The IPSASB’s PV is to continue providing definitions on financial statement elements (aligned with the IPSASB <i>Conceptual Framework</i> and IFRS 18) in the new IPSAS Standard, and to provide other definitions that support the understanding and application of presentation requirements.</p>	<p>Financial statements elements are defined in both PBE IPSAS 1 and PBE <i>Conceptual Framework</i>. We consider this to be helpful, as the <i>Conceptual Framework</i> can sometimes be overlooked in practice.</p>	<p><u>No modification of IFRS 18</u> - AASB 18 does not include definitions of financial statements elements and instead refers to AASB’s <i>Conceptual Framework for Financial Reporting</i></p>	<p>Agree</p>

⁸ This table does not include modifications proposed for Australian superannuation entities. As New Zealand superannuation entities report under for-profit NZ IFRS those modifications are not relevant from an NZ PBE perspective.

IPSASB Preliminary View (PV)	NZ practice and feedback	AASB proposal ⁸	XRB draft comment letter
<p>[Additional explanation:] The IPSASB proposes the following for the new standard:</p> <ul style="list-style-type: none"> • <u>Carry over</u> the definitions of financial statements elements that are <u>currently defined in IPSAS 1</u>, i.e. assets, liabilities, revenue, expenses and net assets/equity – but <u>amend these to align with the Conceptual Framework</u> (IFRS 18 does not include such definitions); • <u>Add definitions from the Conceptual Framework</u> that are <u>currently not in IPSAS 1</u>, i.e. for ‘displayed’ and ‘disclosed’ information (these definitions are not in IFRS 18, but they support the distinction between the primary financial statements and notes); and • <u>Add definitions from IFRS 18</u> that are <u>currently not included in IPSAS 1</u> – including ‘primary financial statements’, ‘useful structured summary’, ‘operating surplus or deficit’, ‘reclassification adjustments’, ‘general purpose financial reports’, ‘general purpose financial statements’, ‘aggregation’, ‘disaggregation’. 	<p>The definitions in PBE IPSAS 1 currently do not reflect changes made by the <i>PBE Conceptual Framework Update</i> to the PBE Conceptual Framework. As such, the inconsistency in definitions that the IPSASB’s PV proposes to address also exists in the NZ PBE literature.</p> <p>We have not received feedback on this specific topic. However, we consider it important to align definitions between standards and the Conceptual Framework. The definitions that the IPSASB propose to add from IFRS 18 and the conceptual framework appear useful (please note our comment about the role of primary financial statements in PV 4).</p>	<p>(this is different to the IPSASB’s proposals).</p> <p>AASB 18 includes definitions from IFRS 18 that are currently not included in IPSAS 1, e.g.:</p> <ul style="list-style-type: none"> - Operating surplus or deficit - Primary financial statements - Reclassification adjustments - Useful structured summary <p>This is consistent with the IPSASB proposals.</p>	
<p>PV 3: The IPSASB’s PV is to retain the existing requirements regarding comparative information, and to add the requirement for an additional Statement of Financial Position at the beginning of the preceding period when previously reported information has been materially impacted by a restatement or reclassification into IPSAS Standards, as aligned with IFRS 18 requirements.</p> <p>[Additional information]: The requirement to present an additional statement of financial position at the beginning of the preceding period (i.e. ‘third balance</p>	<p>Proposal to retaining existing requirements for comparative information:</p> <p>We are not aware of any issues with the existing requirements regarding comparative information in PBE IPSAS 1.</p> <p>Proposal to require a ‘third balance sheet’ for material restatements/reclassifications:</p> <p>Similarly to IPSAS 1, PBE IPSAS 1 does not require entities to present a ‘third balance</p>	<p><u>No modification of IFRS 18</u> - AASB 18 requires the additional Statement of Financial Position when previously reported information has been materially impacted by a restatement or reclassification.</p> <p>The rest of the requirements regarding comparative information is consistent with PBE IPSAS 1 and with the IPSASB’s proposals.</p>	<p>Agree - retaining existing comparative information requirements</p> <p>Disagree - additional Statement of Financial Position</p>

IPSASB Preliminary View (PV)	NZ practice and feedback	AASB proposal ⁸	XRB draft comment letter
<p>sheet') in the event of a material prior period reclassification or restatement already existed in IAS 1 <i>Presentation of Financial Statements</i> since 2007, i.e. before IFRS 18 was introduced. However, that requirement had not been included in IPSAS 1.</p>	<p>sheet' in case of material prior period restatements or reclassifications.</p> <p>We note that public sector entities generally present more 'columns' of information in their financial statements than for-profit entities, because they present budgeted information. In reviewing a sample of NZ public sector PBEs' financial statements, we observed the following:</p> <ul style="list-style-type: none"> • All the public sector entities whose financial statements we reviewed present in their primary financial statements a comparison of current year information ('actuals') with prior year 'actuals' and current year budget – i.e. at least 3 columns. • Some public sector entities (e.g. tertiary education institutions (TEIs) and some councils) show this information for both the controlling entity ('parent') and the group – i.e. 6 columns in total. • Some entities (e.g. NZ Police) provide comparison with two sets of budgets, i.e. main estimates and supplementary estimates – i.e. 4 columns. <p>Requiring public sector entities to present a 'third balance sheet' in cases of material prior period restatements or reclassifications would add another 'column' into these entities' statement of financial position. This would increase the complexity of already 'dense' financial statements and could reduce their readability.</p>		

IPSASB Preliminary View (PV)	NZ practice and feedback	AASB proposal ⁸	XRB draft comment letter
	<p>Similar feedback was received by the Financial Reporting Standards Board ('FRSB' – the NZASB's predecessor) in 2007. At that time, the FRSB decided not to introduce a 'third balance sheet' requirement for PBEs. The issues identified then appear to remain relevant today.</p>		
<p>PV 4: The IPSASB's PV regarding the other general presentation requirements is to:</p> <p>a) Retain existing IPSAS 1 guidance, without updates:</p> <p>i. The responsibility for financial statements (paragraphs 2.9-2.10);</p> <p>b) Retain existing IPSAS 1 guidance, with updates to align with IFRS 18 for the public sector context:</p> <p>i. The objective of financial statements (paragraphs 2.4-2.8);</p> <p>ii. The complete set financial statements (paragraphs 2.11-2.13);</p> <p>iii. Identification of financial statements (paragraphs 2.20-2.21);</p> <p>iv. Material information (paragraphs 2.33-2.34);</p> <p>v. The other general presentation requirements in Table 2 (paragraphs 2.41-2.44);⁹</p>	<p>PV 4(a)-(b) – retaining general presentation requirements:</p> <p>We are not aware of any issues with the existing requirements in PBE IPSAS 1 regarding the general topics mentioned in the point (a) and (b) of PV 4, where the IPSASB proposes to retain existing requirements.</p> <p>PV 4(c) – new IFRS 18-based guidance on roles of primary financial statements vs notes</p> <p>We are aware that some NZ public sector entities present within the annual report information that is labelled as a 'statement'. However, these 'statements' do not meet the proposed definition of a 'primary financial statement', and do not necessarily fulfil the proposed role of 'primary financial statements' per the IPSASB CP.</p> <p>In some cases, it is clear that such additional 'statements' are separate from the primary financial statements and notes – e.g. when these 'statements' are located in the annual</p>	<p><u>No modification of IFRS 18 for general presentation requirements.</u></p> <p>However: there are <u>proposed modifications in relation to public sector entities' application of the concept of 'useful structured summary'</u>. AASB ED 338 proposes to:</p> <ul style="list-style-type: none"> • specify that governments applying AASB 1049¹⁰ must present all line items required by that standard in their primary financial statements, without considering whether doing so provides a useful structured summary: and • allow 'NFP' public sector entities to present expenses based on nature or function, whichever provides information that is reliable and more relevant – instead of the IFRS 18-based requirement to present operating 	<p>Agree</p>

⁹ The topics mentioned in the Table 2 of the IPSASB CP are Fair Presentation and Compliance with IPSAS Standards, Going Concern, Frequency of Reporting, Timeliness, Consistency of Presentation, and Offsetting.

¹⁰ AASB 1056 *Whole of Government and General Government Sector Financial Reporting*

IPSASB Preliminary View (PV)	NZ practice and feedback	AASB proposal ⁸	XRB draft comment letter
<p>c) Add new guidance, aligned with IFRS 18 and the IPSASB's Conceptual Framework:</p> <ol style="list-style-type: none"> i. The roles of the financial statements and notes (paragraphs 2.14-2.19); and ii. The other general presentation requirements in Table 2 (paragraphs 2.41-2.44). <p>[Additional information]: In PV4(c)(i), the proposed roles of the primary financial statements and notes are:</p> <ul style="list-style-type: none"> • Role of primary financial statements: To provide <i>structured summaries</i> of a reporting entity's recognised assets, liabilities, net assets/equity, revenue, expenses, and cash flows, that are useful to users of financial statement for: (a) obtaining an <i>understandable overview</i> of the entity's recognized assets, liabilities, net assets/equity, revenue, expenses, and cash flows; (b) <i>making comparisons</i> between entities, and between reporting periods for the same entity; and (c) <i>identifying items</i> or areas about which users of financial statements may wish to seek <i>additional information in the notes</i>. • Role of the notes: To provide <i>material information</i> necessary to (a) enable users of financial statements to <i>understand the line items</i> displayed in the primary financial statements; and (b) <i>supplement</i> the primary financial statements with additional information to achieve the objective of financial statements. 	<p>report after the primary financial statements and notes. However, sometimes the additional 'statements' are presented in the same section as the primary financial statements. Examples of the latter case include:</p> <ul style="list-style-type: none"> • Departments' Statement of Commitments and Statement of Contingent Liabilities and Contingent Assets; and • Whole-of-Government's Statement of Segments <p>As the IFRS 18-based IPSASB proposals set out specific and distinct roles of the primary financial statements and the notes, questions could arise about the role and label of these additional 'statements', i.e. do these statements fulfil the role of notes under the proposals, and if so, could labelling them as 'statements' be confusing?</p> <p>We do not consider this to be a matter requiring clarification in IPSAS Standards at this stage and have not included it in our draft comment letter. We will reconsider this issue in light of further stakeholder feedback.</p> <p>Apart from this observation, we have not heard any concerns about the guidance on roles of the primary financial statements and notes, and we find this guidance reasonable.</p>	<p>expenses by nature, function or a mixture of both in a way that provides the most useful structured summary.</p>	

IPSASB Preliminary View (PV)	NZ practice and feedback	AASB proposal ⁸	XRB draft comment letter
	<p>PV 4(c) – new IFRS 18-based guidance in Table 2 of the CP</p> <p>Feedback received shows support for the IFRS 18-based guidance on aggregation and disaggregation.</p> <p>We have not heard any concerns about the IFRS 18-based guidance on <i>Accrual Basis of Accounting</i> and we find it reasonable.</p>		
Statement of Financial Position			
<p>PV 5: The IPSASB’s PV is to retain:</p> <ul style="list-style-type: none"> a) The current/non-current approach as the general approach for classifying assets and liabilities on the face of the Statement of Financial Position; b) The order of liquidity approach as a permitted approach on an exception basis; and c) The mixed approach, to allow some assets and liabilities to be presented using the current/non-current classification, and others are presented in order of liquidity. <p>[Additional information]: This is consistent with IFRS 18.</p>	<p>We are not aware of any issues with the existing requirements in PBE IPSAS 1.</p> <p>In the sample of NZ public sector entities whose financial statement we reviewed, the majority of entities use the current/non-current classification approach in their statement of financial position, and some entities (e.g. NZ government) uses a liquidity approach. We have not noted any instances of mixed approach.</p> <p>We consider it is reasonable to continue allowing the order of liquidity approach as an alternative to the current/non-current approach.</p> <p>We are not aware of concerns regarding the mixed approach. However, we note that paragraph 116 in the IPSASB’s Illustrative ED seems to imply that a mixed approach is not permitted. Paragraph 116 says that when the liquidity approach is applied, “an entity shall present <i>all assets and liabilities</i> in order of liquidity”. At the same time, paragraph AG97 in the Application Guidance clearly states</p>	<p><u>No modification of IFRS 18</u> - AASB 18 requires assts and liabilities to be presented using a current/non-current approach or a liquidity approach, and permits a mixed approach (similar to the IPSASB proposals).</p>	<p>Agree, but recommend amending paragraph 116 for clarity or moving paragraph from AG to ‘core text’</p>

IPSASB Preliminary View (PV)	NZ practice and feedback	AASB proposal ⁸	XRB draft comment letter
	<p>that mixed presentation is allowed. We consider that amending paragraph 116 to be consistent with paragraph AG97, or moving paragraph AG97 into the ‘core text’ (consistent with the current approach in IPSAS 1 and PBE IPSAS 1), would improve the clarity of the presentation requirements.</p> <p>We have not received any feedback indicating interest in NZ in the financial/non-financial presentation alternative outlined in the CP, which the IPSASB considered but decided not to pursue.</p>		
<p>PV 6: The IPSASB’s PV is that the specific line items required in IPSAS 1 [in the Statement of Financial Position] should be carried forward, with enhancements limited to adding a new line for goodwill (to align with IFRS 18).</p>	<p>We are not aware of any issues with the existing requirements in PBE IPSAS 1, which the IPSASB proposes to retain.</p> <p>Some NZ public sector entities already report goodwill as a separate line of the Statement of Financial Position.</p>	<p>The specific line items in AASB 18 are aligned with those in IPSAS 1 (which the IPSASB proposes to retain), except for some specific public sector items.</p> <p><u>Exemption for governments applying AASB 1049</u> - Paragraph 23 of AASB 18 specifies that an entity need <u>not</u> present separately a [‘required’] line item ... if doing so is not necessary for the statement to provide a useful structured summary. This is consistent with IFRS 18 and the IPSASB proposals.</p> <p>AASB ED 338 proposed an exception to this paragraph for governments applying AASB 1049 - so that they are required to reports all items prescribed by AASB 1049.</p> <p>We note that there is no equivalent to AASB 1049 in NZ PBE Standards.</p>	<p>Agree</p>

IPSASB Preliminary View (PV)	NZ practice and feedback	AASB proposal ⁸	XRB draft comment letter
<p>PV 7: The IPSASB’s PV is that the new IPSAS Standard should retain IPSAS 1 requirements to:</p> <ul style="list-style-type: none"> a) Not prescribe a specific structure (i.e., order or format) for presenting the Statement of Financial Position; and • Not require the presentation of specific subtotals on the Statement of Financial Position. 	<p>We are not aware of any issues with the existing requirements in PBE IPSAS 1, which the IPSASB proposes to retain.</p> <p>We have not received any feedback indicating support for introducing prescribed specific subtotals (such as ‘net debt’) on the Statement of Financial Position (this was an option that the IPSASB considered but decided not to pursue).</p>	<p><u>No modification of IFRS 18 - AASB 18</u> does not prescribe a structure of or specific subtotals in the Statement of Financial Position</p>	<p>Agree</p>
Statement of Financial Performance			
<p>PV 8: The IPSASB’s PV is to present revenue and expense items recognized in surplus or deficit in categories on the Statement of Financial Performance. The categorization requirements are aligned with IFRS 18 requirements, with additional public sector guidance.</p> <p>[Additional information:] The new categories are operating, investing and financing – see paragraphs 24 – 27 of this memo.</p>	<p><i>See discussion in paragraphs 30 – 56 of this memo.</i></p>	<p><i>See discussion in paragraphs 57 – 61 of this memo.</i></p>	<p>Disagree</p>
<p>PV 9: The IPSASB’s PV is to present totals and subtotals, and to permit entities to present additional subtotals, on the Statement of Financial Performance, as listed in paragraph 4.35 [of the CP]. The total and subtotal requirements are aligned with IFRS 18 requirements, adapted for the public sector.</p> <p>[Additional information]: Paragraph 4.35 of the CP proposes to require entities to present total ‘surplus or deficit’ (retained from IPSAS 1) and the new subtotal ‘operating surplus or deficit’ (aligned with IFRS 18) – and to continue allowing entities to present additional subtotals, if they provide a useful</p>	<p><i>For feedback on the <u>operating surplus/ deficit subtotal</u>, please refer to discussion about new categories proposed in PV 8 above.</i></p> <p>In preliminary discussions with the ‘public sector working group’, a stakeholder suggested that prescribing specific subtotals helps reduce the risk of misrepresentation and manipulation.</p> <p>Currently, PBE IPSAS 1 (like IPSAS 1) requires presenting the total surplus or deficit, but does not require the presentation of subtotals of in the statement of financial</p>	<p><i>See the modifications in PV 8 above for public sector ‘NFP’ entities</i></p> <p>Total profit or loss still required for all entities.</p> <p><u>Note:</u> NFP private sector entities, universities and for-profit public sector entities are required to present all the subtotals required by IFRS 18, i.e. <i>operating profit or loss</i> (also proposed by IPSASB) and <i>profit or loss before financing and income taxes</i> (not proposed by IPSASB).</p>	<p>Agree with required totals and to permit additional subtotals</p> <p><i>For required subtotals refer to discussion about new categories proposed in PV 8 above.</i></p>

IPSASB Preliminary View (PV)	NZ practice and feedback	AASB proposal ⁸	XRB draft comment letter
<p>structured summary, are not displayed more prominently than the required total and subtotal, and meet certain other criteria.</p>	<p>performance (although total revenue is a required line item).</p> <p>In the sample of NZ public sector financial statements that we reviewed, more than half of the entities present subtotals in addition to the total <i>Surplus or Deficit for the Period</i> (please note: we are <i>not</i> counting ‘total revenue’ and ‘total expenses’ as subtotals for the purpose of this analysis).</p> <p>In our sample, the most frequently reported subtotal was <i>Surplus/(deficit) before income tax</i> (reported by councils, TEIs and certain Crown Entities).</p> <p>Other subtotals reported included (no more than one instance within our sample):</p> <ul style="list-style-type: none"> • Operating surplus/ deficit (i.e. before impairment and Holiday Act Provision expense) [Crown Entity - Health] • Operating surplus (deficit) from operations (i.e. before share of associates surplus/deficit) [council] • Operating balance excluding minority interest [Government] • Earnings before depreciation and amortisation [Crown Entity – museum] • Surplus / (Deficit) before gains and losses [council] <p>The government departments in our sample do not present subtotals.</p>		
<p>PV 10: The IPSASB’s PV is to maintain the minimum requirements regarding the presentation of line items on the face of the Statement of Financial Performance, with additional guidance. The minimum</p>	<p>We are not aware of any issues with the existing presentation of line items required by</p>	<p><u>No modification of IFRS 18</u> - AASB 18 contains minimum requirements regarding the presentation of line items on the face of the Statement of</p>	<p>Agree</p>

IPSASB Preliminary View (PV)	NZ practice and feedback	AASB proposal ⁸	XRB draft comment letter
<p>line item presentation requirements are aligned with IFRS 18 requirements, with additional public sector guidance.</p>	<p>PBE IPSAS 1, which the IPSASB proposes to retain.</p> <p>We find the proposed additional guidance to help entities determine whether to present additional line items to provide a more useful structured summary of its revenue and expense items to be reasonable.</p>	<p>Financial Performance are also aligned with IPSAS 1 and the IPSASB's proposals.</p> <p>However, governments applying AASB 1049 need to report all items prescribed by AASB 1049 – see PV 6 for details</p>	
<p>SMC 1: In your view, should the new IPSAS Standard replacing IPSAS 1 permit mixed presentation, where some expense line items are presented by nature, while others are presented by function? Would mixed presentation result in a useful structured summary of those expenses for users of financial statements in your jurisdiction?</p>	<p>We received limited feedback. In preliminary discussions with the 'public sector working group', a NZ stakeholder indicated a preference not to depart from IFRS 18 (i.e. to allow mixed presentation of operating expenses).</p> <p>PBE IPSAS 1 (like IPSAS 1) currently requires PBEs to present expenses either by nature or by function. In the sample of NZ public sector entities' financial statements that we reviewed, most entities classify expenses by nature. Some entities also present additional information (in addition to what is required in PBE IPSAS 1), such as a <i>Statement of expenses by functional classification</i> or <i>Summary of revenue and expenditure by output class</i>.</p> <p>Although mixed presentation is not explicitly permitted under PBE IPSAS 1, we identified a small number of entities that may be using a mixed approach. However, the information in their financial statements was not detailed enough to confirm this.</p> <p>We note that the IASB decided to permit mixed presentation of operating expenses in IFRS 18, despite the potential impact on</p>	<p><u>Modified IFRS 18 for public sector NFPs (other than universities):</u> Policy choice – <i>either</i> (a) apply the IFRS 18-based requirements to present operating expenses based on nature, function or mix of both, in a way that provide the most useful structured summary; <i>or</i> (b) present expenses based on either nature or function (without an option to present a mix of both), whichever provides information that is reliable and more relevant.</p> <p>This allows regulators to continue prescribing presentation formats.</p> <p><u>No modifications of IFRS 18 requirements for NFP private sector entities and universities</u> – mixed presentation allowed (but NFP entities need to consider the entity's operations or main activities, which is broader than 'main components and drivers of profitability' per IFRS 18).</p>	<p>Support mixed presentation</p>

IPSASB Preliminary View (PV)	NZ practice and feedback	AASB proposal ⁸	XRB draft comment letter
	<p>comparability between entities. The IASB acknowledged that prohibiting mixed presentation could prevent an entity from presenting useful information or present operating expenses in a way that contributes to providing the most useful structured summary of those expenses. For example “... an entity might conclude that, in general, classifying expenses by function would provide the most useful information. However, the entity could have some operating expenses that are difficult to allocate to functions in a non-arbitrary way. For example, allocating goodwill impairment to functions might be arbitrary.” Further explanation is provided in paragraphs BC250 – BC252 of IFRS 18.</p> <p>We also understand that the argument for a comparable presentation of expenses among different entities may be stronger in the for-profit sector (from the perspective of investors) compared to the public sector. Taking this into account, along with the IASB’s reasoning, we consider that allowing a mixed presentation would be appropriate.</p>		
Statement of Changes in Net Assets/Equity			
<p>PV 11: The IPSASB’s PV is to maintain</p> <ol style="list-style-type: none"> requirements to present revenue and expense items recognized outside surplus or deficit directly in net assets/equity, on the Statement of Changes in Net Assets/Equity, and requirements related to reclassification adjustments. 	<p>NZ public sector entities have been reporting OCI since 2007/08, when NZ public sector transitioned to IFRS.</p> <p>When NZ adopted PBE Standards (based mainly on IPSAS) for application by public sector PBEs from 2014/15, the XRB modified</p>	<p>No modification of IFRS 18 - AASB 18 requires OCI presentation for all entities, including NFP public and private sector entities.</p>	<p>NZ perspective – maintain OCRE</p> <p><i>We have not formed a view on how this issue should be</i></p>

IPSASB Preliminary View (PV)	NZ practice and feedback	AASB proposal ⁸	XRB draft comment letter
<p>[Additional information]: Essentially, this PV proposes not to introduce the concept of OCI into IPSAS, but to continue requiring certain revenue and expense items to be presented directly in net assets/equity.</p>	<p>the PBE equivalent of IPSAS 1 to retain the OCI presentation.</p> <p>The reasons for modifying PBE IPSAS 1 to require OCI were:</p> <ul style="list-style-type: none"> • OCI had already been well established in practice since 2007/08. • It maintains consistency with reporting in the for-profit sector. • There was no evidence that users found the presence of both surplus/deficit and OCI confusing. Changing the approach after seven years could, in fact, have created confusion. • The XRB also noted there was no international research or conclusion on whether the IASB’s OCI approach or the IPSASB’s net assets/equity approach was conceptually superior, so there was no conceptual analysis to draw on when making the decision. <p>After balancing all these factors, the XRB proposed to retain the existing approach. This was supported by constituents.</p> <p>The XRB re-labelled OCI to “other comprehensive revenue and expenses” (OCRE) to better reflect the nature of PBE sector operations.</p> <p>We are not aware of any issues with the current OCRE requirements. The approach is well established in New Zealand, and alignment with the for-profit sector continues to be beneficial.</p>		<p><i>addressed internationally.</i></p>

IPSASB Preliminary View (PV)	NZ practice and feedback	AASB proposal ⁸	XRB draft comment letter
<p>PV 12: The IPSASB’s PV is to maintain the presentation requirements regarding the Statement of Changes in Net Assets/Equity, and revise the reconciliation requirement to require the reconciliation be displayed on the face of the Statement.</p>	<p>Currently, PBE IPSAS 1 (like IPSAS 1) allows the reconciliation between the opening and closing balance of each component of net assets/equity to be presented either on the ‘face’ of the statement of changes in net assets/equity or in the notes.</p> <p>Although the Audit Office model financial statements present the reconciliation of components of assets/equity in the notes, our review of a sample of New Zealand public sector financial statements shows mixed practice. About half of entities in our sample present this reconciliation on the face of the statement, while the other half present it in the notes.</p> <p>We consider that, for most entities currently presenting this information in the notes, moving it to the face of the statement would not be difficult. We note, however, that some entities—such as local councils—are required to provide detailed breakdowns of transfers to and from restricted reserves. For these entities, some disclosures would still need to remain in the notes, considering the roles of the primary financial statements vs the notes per the IPSASB proposals.</p> <p>Overall, we believe that aligning with the for-profit sector by requiring the reconciliation to be presented on the face of the statement would not impose significant cost and would improve the understandability of financial statements.</p>	<p><u>No modification of IFRS 18 - AASB 18</u> requires entities to present reconciliation of each component of net assets/equity at the beginning and end of the period on the face of the Statement of Changes in Equity (consistent with the IPSASBs proposals).</p>	<p>Agree</p>

IPSASB Preliminary View (PV)	NZ practice and feedback	AASB proposal ⁸	XRB draft comment letter
<p>PV 13: The IPSASB’s PV is that guidance based on IFRIC 17 <i>Distribution of Non-cash Assets to Owners</i> should not be incorporated into the IPSAS Standards, as the relevant transactions are not prevalent in the international public sector.</p>	<p>IFRIC 17 is currently not included in PBE Standards.</p> <p>IFRIC 17 provides guidance on the recognition, measurement, presentation and disclosure of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners, in which all owners are treated equally. IFRIC 17 applies to a specific scope of such distributions: distributions of non-cash assets and distributions that give owners a choice of receiving either non-cash assets or a cash alternative. IFRIC 17 does <i>not</i> apply to distributions where the non-cash asset is controlled by the same party or parties before and after the distribution. IFRIC 17 refers to the distributions within its scope as ‘dividends’.</p> <p>We have not seen any indication that the transactions to which IFRIC 17 applies would be prevalent in the NZ public sector. On this basis, we agree that there does not seem to be a need to bring IFRIC 17 into IPSAS.</p>	<p><u>No modification of IFRIC 17</u> - AASB Interpretation 17 applies to all entities, including public and private sector NFPs.</p> <p>(However, as noted in the column to the left, there is currently no indication that these requirements are needed for NZ PBEs.)</p>	<p>Agree</p>
Disclosure of Information in the Notes			
<p>PV 14: The IPSASB’s PV is to retain existing IPSAS 1 requirements for the disclosure of information in the notes to the financial statements, and incorporate the IASB’s amendments to IAS 1 (as presented in paragraphs 6.7 and 6.12 [of the CP]) which would align with equivalent IFRS Accounting Standards guidance.</p>	<p>We are not aware of any issues with the existing IPSAS 1 requirements for the disclosure of information in the notes to the financial statements (although we consider that the enhanced IFRS 18-based guidance on aggregation and disaggregation based on common characteristics, etc. would be useful – but this is not specifically covered in this PV).</p>	<p><u>No modification of IFRS 18</u></p>	<p>Agree</p>

IPSASB Preliminary View (PV)	NZ practice and feedback	AASB proposal ⁸	XRB draft comment letter
<p>[Additional information]: The IASB amendments to IAS 1 that are referred to in paragraphs 6.7 and 6.12 of the CP – which the IPSASB proposes to include in the new presentation standard – include the following:</p> <ul style="list-style-type: none"> • <i>Disclosure Initiative</i> (2014): Various clarifications relating to disclosures, including in relation to materiality (items that are not material need not be disclosed even when they are required by IFRS), order of the notes (e.g. giving prominence to areas most relevant to understanding the entity’s financial performance and position), subtotals (refined criteria for presenting additional subtotals); and • <i>Disclosure of Accounting Policies</i> (2021): requirement to disclose <i>material</i> accounting policies (previous requirements referred to ‘significant’). 	<p>While the IASB’s 2014 amendments in <i>Disclosure Initiative</i> are currently not incorporated into IPSAS 1, in NZ they are already incorporated in PBE IPSAS 1. We are not aware of issue with this existing guidance.</p> <p>We agree that an equivalent of IASB’s <i>Disclosure of Accounting Policies</i> should be incorporated into IPSAS – noting that the reference to ‘material’ accounting policies instead of ‘significant’ ones is beneficial, considering that materiality is defined and is a concept used throughout IPSAS.</p>		
<p>PV 15: The IPSASB’s PV is <i>not</i> to incorporate the IFRS 18 definition and disclosure requirements for management-defined performance measures (MPMs) into the IPSAS Standards.</p>	<p>See discussion in paragraphs 90 - 95</p>	<p>See discussion in paragraphs 96 - 100</p>	<p>Partially disagree – recommend further consideration</p>
<p>PV 16: The IPSASB’s PV is <i>not</i> to include an amended IFRS 18 MPM concept for application in the public sector (thereby not introducing an amended version of the IFRS 18 MPM definition or disclosure requirements into the IPSAS Standards).</p>			<p>Partially disagree – recommend further consideration</p>

Draft comment letter

106. The draft comment letter on the IPSASB CP, based on our considerations and preliminary feedback received so far, is included in Agenda Item 9.1b. As noted above, we propose to publish the draft comment letter to facilitate discussions with stakeholders. As such, some of the draft responses include some details about the IPSASB proposals for stakeholders' information, and we will reduce this detail in the final version of the letter.

Questions for the Board

- Q1. Does the Board have any comments on the research and outreach undertaken by staff to date and are there any suggestions for further research and outreach?
- Q2. Does the Board have any comments on staff's considerations and recommendations outlined in this memo, including on staff's consideration in relation to:
- (a) The IFRS 18-based categories and subtotal proposed in the IPSASB CP in particular; and
 - (b) The other IPSASB CP proposals?
- Q3. What feedback does the Board have on the draft comment letter, including its overall tone?

Next steps

107. We will update the draft comment letter to reflect the Board's feedback at this meeting.
108. We recommend that the updated letter be reviewed by the Chair before publishing the draft letter on our website.

Questions for the Board

- Q4. Does the Board agree to publish our draft comment letter on the website, subject to staff updating the draft letter for the Board's feedback at this meeting and subject to review by the Chair?

Attachments

The following agenda papers are attached via links:

Agenda Item 9.1c [IPSASB CP Presentation of Financial Statements](#)

Agenda Item 9.1d [IPSASB Illustrative ED Presentation of Financial Statements](#)

Appendix - Preliminary cost-benefit considerations

[From NZASB February 2026 meeting, Agenda Item 10]

Possible benefits

- **Better understanding of financial performance for users – for accountability purposes:**
The proposed categories and subtotal in the statement of financial performance could provide users with useful information on the different components of the entity’s financial performance, i.e. how much surplus a PBE generates from its operating activities, versus how much revenue and/or expenses are generated by investments and borrowing. This information can be useful to users for accountability purposes, i.e. holding public sector PBEs to account in terms of their financial performance and efficient use of publicly-funded resources.
- **Improved comparability:**
 - *Comparability among PBEs – public sector:* We are not aware of particular concerns regarding the comparability of public sector PBEs’ statements of financial performance, but we understand that there are some differences in presentation, e.g. some PBEs present a ‘gains and losses’ category separately from other revenue and expenses, while others do not. The IPSASB’s proposed required categories and subtotal could improve comparability among the financial statements of PBEs, making it easier for users of financial statements to compare the financial performance of PBEs – which could be useful for accountability purposes. We acknowledge that, unlike investors in the for-profit sector, users in the public sector like taxpayers and ratepayers would generally not compare the financial statements of different public sector PBEs for the purpose of deciding whether to provide funds to the PBE, as paying taxes and rates is mandatory. However, we consider that comparability among PBE financial statements can still be beneficial for such users, from an accountability perspective.
 - *Comparability among PBEs – NFP sector:* If the IPSASB’s proposals are introduced for NFP PBEs in New Zealand, funders (users of NFP financial statements) may find the enhanced comparability brought by the IPSASB’s proposed categories and subtotal for revenue and expenses to be useful, when deciding which NFPs to provide funds to.
- *Comparability of PBEs with for-profit entities:* The IPSASB’s proposed new categories and subtotal in the statement of financial performance would increase comparability between the financial statements of PBEs and those of for-profit entities. For those PBEs that issue debt to the public (e.g. some councils) and their investors (users), the benefits of this comparability would be similar to those noted by the IASB in issuing IFRS 18. Users that invest in PBEs’ debt instruments would be able to better compare PBEs’ financial statements to those of for-profit issuers, which may improve access to, and lower the cost of, debt capital for these PBEs.
- **Alignment with latest international thinking:** The IPSASB’s proposals are based on IFRS 18, which represents the latest international thinking on presentation and disclosure in the financial statements – with modifications for the public sector context.
- **Mixed groups:** Aligning presentation requirements between for-profit entities and PBEs would likely reduce administration costs for mixed groups and enhance consistency in user communications.

Possible costs/challenges

- **Not aware of concerns with current presentation:** We are not aware of current concerns with the way PBEs present their primary financial statements, and unlike the IASB, we have not heard concerns about lack of comparability between PBE financial statements due to diversity in revenue and expense subtotals. This could make it challenging to justify the IPSASB's proposed changes to presentation requirements.
- **Possible costs for PBEs:** The proposed changes in presentation requirements could mean potential additional costs for PBEs for changing financial statements preparation processes. Judgement could be required for determining the classification of revenue and expenses under the new categories, and some of the specific IFRS 18-based requirements (e.g. around classifying foreign exchange gains and losses) could be challenging to apply, which could also add to costs.
- **Users will need to adapt:** Potential one-off costs for users, as they would have to spend additional time to familiarise themselves with the new presentation.
- **Risk of insufficient PBE-specific guidance:**
Since IFRS 18 is developed for the for-profit sector, if there is insufficient guidance for the public sector context (and for NFPs, if and when the proposals are included in PBE Standards), there could be application challenges and diversity in practice, or a risk that information produced might not be useful in the PBE context.

XX September 2026

Mr Ross Smith
Program and Technical Director
International Public Sector Accounting Standards Board
277 Wellington Street West
Toronto
Ontario M5V 3H2
CANADA

Submitted to: www.ifac.org**Please note:**

- This draft comment letter contains our preliminary views, which we are publishing for the purpose of discussion with stakeholders.
- All references to ‘feedback’ relate to limited, preliminary feedback received to date.
- The letter is subject to change based on feedback from consultation with stakeholders and future NZASB deliberations.

Dear Ross

Consultation Paper, *Presentation of Financial Statements*

Thank you for the opportunity to comment on the Consultation Paper, *Presentation of Financial Statements* (the CP). The CP has been exposed for comment in New Zealand and some New Zealand constituents may comment directly to you. Our comments have been informed by consultation with accounting practitioners working for and with public sector entities.

We support updating IPSAS 1 *Presentation of Financial Reports* to reflect changes to the Conceptual Framework and useful developments in presentation and disclosure requirements. In particular, we support the proposed enhancements relating to aggregation and disaggregation of information, and clarifications about the respective roles of the primary financial statements and notes.

However, we are not yet convinced that the Consultation Paper has demonstrated a sufficiently strong basis for introducing IFRS 18-based categories and a required subtotal of operating surplus or deficit in the public sector. While the Consultation Paper notes diversity in current presentation practices, it does not clearly identify the nature or significance of any resulting concerns for primary users or preparers, nor does it explain why the anticipated benefits would exceed the implementation costs. In our view, further articulation of the rationale would be helpful before these proposals are progressed.

Our detailed comments are included in Appendix attached to this letter. If you have any queries or require clarification of any matters in this letter, please contact accounting@xrb.govt.nz.

Yours sincerely

Dr Carolyn Cordery

Chair, New Zealand Accounting Standards Board

Appendix

Response to consultation questions

Preliminary View 1—Chapter 1: Development of New Presentation Standard
<p>The IPSASB's Preliminary View is that the development of a new IPSAS Standard to replace IPSAS 1, <i>Presentation of Financial Statements</i> should consider IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>, with appropriate adaptations to reflect the objectives of financial reporting by public sector entities.</p> <p>Do you agree with the IPSASB's Preliminary View?</p> <p>If not, please provide your reasons and clearly explain what you consider should be changed in the development approach.</p>

1. In general, as noted in our comment letter on the IPSASB's 2025 Work Programme Consultation, we consider it important to have alignment between IPSAS Standards and IFRS Accounting Standards where transactions are the same or similar in the public and private sectors.
 - (a) Such alignment is particularly important for jurisdictions such as New Zealand, where several large and complex "mixed group" entities operate across both the public and private sectors and are required to prepare consolidated financial statements, while applying both IPSAS- and IFRS-based requirements across different entities within the group.
 - (b) Such alignment is also important in smaller jurisdictions like New Zealand, where the number of accountants is relatively limited, therefore differences between accounting standards for the private and public sector can impact the availability of accountants and auditors for public sector entities.
2. We agree that there is a need to update IPSAS 1, considering that it currently does not reflect certain changes to the IPSASB Conceptual Framework and international developments relating to IFRS Accounting Standards in the for-profit sector.
3. We support several of the IPSASB's proposals in the CP. In particular, we consider that the proposals on aggregation and disaggregation of information in the primary financial statements and notes would be useful for public sector entities, because they would encourage a clearer focus on primary users' information needs.
4. We also support the proposed updates to align definitions with the Conceptual Framework and clarifications to disclosure requirements. See our response to PV 2, PV 4 and PV 14.
5. However, the proposal to require IFRS 18-based categories and a subtotal of 'operating surplus or deficit' is a key proposal in the CP. Based on feedback received on the implementation experience in the for-profit sector, we expect this proposal would require significant effort and cost for public sector entities. Although the IPSASB has identified diversity in the presentation of the statement of financial performance, the CP does not clearly explain whether that diversity is causing material problems for primary users or preparers in the public sector. Without a clearer

articulation of the problem to be solved and why the benefits would outweigh the costs, it is difficult to support introducing these categories into IPSAS. Please refer to our response to PV 8.

6. In light of the above, we consider that the benefits of those parts of the CP that we support could be achieved by updating IPSAS 1, rather than issuing a full new IFRS 18-based standard.

Preliminary View 2—Chapter 2: General Presentation Requirements
<p>The IPSASB's Preliminary View is to continue providing definitions on financial statement elements (aligned with the IPSASB Conceptual Framework and IFRS 18) in the new IPSAS Standard, and to provide other definitions that support the understanding and application of presentation requirements.</p> <p>Do you agree with the IPSASB's Preliminary View?</p> <p>If not, please provide your reasons, and clearly explain what you consider should be changed from a public-sector perspective.</p>

7. We support the IPSASB's preliminary view to continue providing definitions of financial statement elements in the new IPSAS Standard, aligned with the IPSASB Conceptual Framework and IFRS 18, and to include additional definitions that support the understanding and application of presentation requirements.
8. We note that definitions of financial statement elements (such as assets, liabilities, revenue, expenses, and net assets/equity) are currently included in both IPSAS 1 and the Conceptual Framework. In our view, this duplication is helpful in practice. While the Conceptual Framework provides the underlying principles, it may not always be referred to directly by preparers when applying standards. Retaining these definitions within IPSAS Standards therefore promotes accessibility and supports consistent application.
9. We also consider it important that definitions within IPSAS Standards are aligned with those in the Conceptual Framework. Consistency across the IPSASB literature is critical to avoiding confusion and ensuring that preparers apply concepts in a coherent manner. We therefore support the IPSASB's proposal to amend existing definitions in IPSAS 1 so that they align with the Conceptual Framework.

Preliminary View 3—Chapter 2: General Presentation Requirements

The IPSASB's Preliminary View is to retain the existing requirements regarding comparative information, and to add the requirement for an additional Statement of Financial Position at the beginning of the preceding period when previously reported information has been materially impacted by a restatement or reclassification into IPSAS Standards, aligned with IFRS 18 requirements.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed from a public-sector perspective.

10. We support the IPSASB's Preliminary View to retain the existing requirements regarding comparative information. We agree that the current requirements in IPSAS 1 provide useful and appropriate information for users.
11. However, we do not support the proposal to require an additional Statement of Financial Position at the beginning of the preceding period (often referred to as a 'third balance sheet') when previously reported information has been materially impacted by a restatement or reclassification.
12. Public sector entities in New Zealand typically present multiple columns of information in their primary financial statements, including current-year actuals, prior-year actuals, and budget information. Some entities also present this information separately for the parent (controlling entity) and the group, or include multiple budget comparisons. As a result, statements of financial position can already include several columns of information.
13. Introducing a requirement for a 'third balance sheet' (effectively an additional column of information) in circumstances of material restatements or reclassifications would further add to complexity of already relatively dense financial statements.
14. We are concerned that this could reduce the readability and understandability of financial statements for users, which would be contrary to the objective of enhancing communication effectiveness.
15. To address this concern, we recommend giving public sector entities the option to include the 'third balance sheet' in the notes, rather than requiring its presentation in the primary financial statements.

Preliminary View 4—Chapter 2: General Presentation Requirements

The IPSASB's Preliminary View regarding the other general presentation requirements is to:

- a) Retain existing IPSAS 1 guidance, without updates:
 - i. The responsibility of financial statements (paragraphs 2.9-2.10);
- b) Retain existing IPSAS 1 guidance, with updates to align with IFRS 18 for the public sector context:
 - i. The objective of financial statements (paragraphs 2.4-2.8);
 - ii. The complete set financial statements (paragraphs 2.11-2.13);
 - iii. Identification of financial statements (paragraphs 2.20-2.21);
 - iv. Material information (paragraphs 2.33-2.34);
 - v. The other general presentation requirements in Table 2 (paragraphs 2.41-2.44);
- c) Add new guidance, aligned with IFRS 18 and the IPSASB's Conceptual Framework:
 - i. The roles of the financial statements and notes (paragraphs 2.14-2.19); and
 - ii. The other general presentation requirements in Table 2 (paragraphs 2.41-2.44).

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed in the development approach.

PV 4, point (a)

16. We have not identified any concerns with the existing guidance on the responsibility for financial statements. We therefore support the proposal to retain this guidance without updates.

PV 4, point (b):

17. We support the IPSASB's proposal to retain the guidance outlined in point (b), with updates aligned to IFRS 18. We consider it beneficial to align this guidance with current thinking and recent developments, as this will help ensure the requirements remain relevant and consistent with evolving international best practice.

PV 4, point (c):

18. We are not aware of any significant concerns regarding the proposed guidance clarifying the roles of the financial statements and notes.
19. Feedback received indicates support for incorporating IFRS 18-based guidance on aggregation and disaggregation. Enhanced principles in this area are expected to improve the clarity and usefulness of financial information presented (see also paragraph 3 above).
20. We are not aware of any concerns regarding the proposed IFRS 18-aligned guidance on the accrual basis of accounting and consider this guidance to be reasonable and appropriate in the public sector context.

Preliminary View 5—Chapter 3: Statement of Financial Position

The IPSASB's Preliminary View is to retain:

- a) The current/non-current approach as the general approach for classifying assets and liabilities on the face of the Statement of Financial Position;
- b) The order of liquidity approach as a permitted approach on an exception basis; and
- c) The mixed approach, to allow some assets and liabilities to be presented using the current/non-current classification, and others are presented in order of liquidity.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed regarding the classification of assets and liabilities on the Statement of Financial Position.

21. In principle, we support the IPSASB's preliminary view to retain the existing approaches to the classification and presentation of assets and liabilities on the face of the Statement of Financial Position.
22. In our view, continuing to permit the order of liquidity approach as an alternative is reasonable, particularly for entities for which liquidity information provides more relevant information to users. We are not aware of significant concerns in practice regarding the use of a mixed presentation approach. Accordingly, we support retaining the flexibility to apply a mixed approach where it results in more useful information.
23. However, we noted that paragraph 116 of the IPSASB's Illustrative Exposure Draft states that when the liquidity approach is applied, "*an entity shall present all assets and liabilities in order of liquidity.*" This wording can be interpreted in a way that all line items must be presented consistently using the liquidity basis.
24. In contrast, paragraph AG97 of the IPSASB's Illustrative Exposure Draft clearly indicates that a mixed presentation approach is permitted. This reflects the IPSASB's stated intention in PV 5(c) and is consistent with existing practice under IPSAS 1.
25. To avoid confusion we recommend that the IPSASB:
 - (a) amend paragraph 116 to explicitly acknowledge that a mixed presentation approach is permitted; or
 - (b) alternatively, consistent with the current approach in IPSAS 1, move the guidance in paragraph AG97 into the core text of the Standard.

Preliminary View 6—Chapter 3: Statement of Financial Position

The IPSASB's Preliminary View is that the specific line items required in IPSAS 1 should be carried forward, with enhancements limited to adding a new line for goodwill (to align with IFRS 18).

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what line items should be added or removed from the list provided in Table 3.

26. We agree with the IPSASB's preliminary view that the specific line items currently required in IPSAS 1 should be retained, with enhancements limited to the addition of a new line item for goodwill to align with IFRS 18.
27. We observe that, in the New Zealand, some public sector entities already present goodwill as a separate line item in the statement of financial position. Therefore, the proposed addition would largely formalise existing practice for those entities and is unlikely to give rise to significant implementation challenges.

Preliminary View 7—Chapter 3: Statement of Financial Position

The IPSASB's Preliminary View is that the new IPSAS Standard should retain IPSAS 1 requirements to:

- a) Not prescribe a specific structure (i.e., order or format) for presenting the Statement of Financial Position; and
- b) Not require the presentation of specific subtotals on the Statement of Financial Position.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed regarding the structure and the presentation of specific subtotals.

28. We have not identified any concerns with the existing requirements, which do not prescribe a specific structure (i.e., order or format) for presenting the Statement of Financial Position and do not require the presentation of specific subtotals. We therefore agree with the preliminary view.

Preliminary View 8—Chapter 4: Statement of Financial Performance

The IPSASB's Preliminary View is to present revenue and expense items recognized in surplus or deficit in categories on the Statement of Financial Performance. The categorization requirements are aligned with IFRS 18 requirements, with additional public sector guidance.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed (for example, if you prefer a specific public-sector specific categorization, such as those considered in paragraph 4.30, please explain why it would meet the criteria in paragraph 4.29).

29. We do not support this proposal at this stage. In our view, further work is needed before the IPSASB proceeds with IFRS 18-based categories and the related subtotal in the public sector.
30. We acknowledge that the IPSASB has identified diversity in the presentation of the statement of financial performance in the public sector, including differing uses of operating-type subtotals. However, the CP does not clearly explain whether that diversity is causing material problems for primary users or preparers, what those problems are, or which users are affected. In our view, being clear on this is important because the strength of the case for change depends on the nature and significance of the problem being addressed.
31. We also expect implementation of IFRS 18-based categories in the public sector to involve significant cost and effort. Based on feedback from stakeholders about their experience in the for-profit sector, applying the new categories can require substantial judgement, systems changes and reworking of presentation decisions. We expect similar issues to arise in the public sector, with additional challenges in areas such as distinguishing operating and investing activities, dealing with public-sector-specific transactions, and assessing the relevance of a financing category for entities funded primarily through appropriations.
32. In the for-profit sector, there was a clear challenge that primary users of financial statements were facing, which drove the introduction of the IFRS 18 categories and subtotals. Specifically, the IASB introduced these categories and subtotals to address *concerns from primary users of financial statements, particularly investors*, about the diversity in the presentation of the statement of financial performance. In the Basis for Conclusions (BC) of IFRS 18, paragraph BC3 notes the following (italics added for emphasis):

“Entities that applied IAS 1 often presented subtotals using the same label, but which included varying income and expenses. *Such diversity made it difficult for users of financial statements to understand and compare information. Comparability is important to users, particularly to buy-side investors, who typically analyse many entities in varied industries*”.
33. Before proceeding, we encourage the IPSASB to undertake further work to demonstrate the problem to be solved, identify the users affected, and explain more clearly why the expected benefits outweigh the implementation costs in the public sector context – considering the following:
 - (a) Most changes in accounting standards give rise to both costs and benefits, but if there is no clear problem to be solved, this can shift the balance of cost/benefit considerations. Specifically, even though the IFRS 18 categories are expected to improve comparability and understandability of public sector financial statements, which is generally beneficial,

this benefit may not be sufficient to outweigh the costs of implementing the new categories if the existing diversity in the presentation is not causing challenges to primary users in the public sector or to public sector entities in the first place.

- (b) While we agree that the proposed categories and subtotal could make public sector entities' financial statements more comparable to each other, we note that the nature of the benefit of comparability is different in the public sector compared to the private for-profit sector, because the primary users in these two sectors are different and use the financial statements for different purposes. It is important to consider this difference.
- i. In the case of IFRS 18, the IASB noted that the diversity in presentation was causing concerns to buy-side investors, for whom comparability is important, as they analyse the financial statements of many companies to make decisions on whether to buy, hold or sell shares in these companies. The categories in IFRS 18 will enhance comparability to address these investors' concerns.
 - ii. In the public sector space, bondholders who buy government or council bonds and entities that provide funding to governments and councils would make similar decisions based on public sector entities' financial statements, i.e. around buying, holding or selling the bonds issued by a public sector entities, and around whether to provide more funding to the public sector entity, etc. For these primary users, the benefit of comparability between the financial statements of different governments and councils is likely to be similar as for investors in the private for-profit sector – although there is a question as to whether these users review similar volumes of financial statements compared to buy-side investors in the private sector. We also note that many public sector entities, e.g. government departments, do not issue bonds or seek external funding outside of central government.
 - iii. However, other primary users of public sector financial statements, i.e. taxpayers and ratepayers, do not make 'buy/sell/hold' decisions or decisions on whether to provide funding to a public sector entity, as they do not have discretion over paying taxes or rates. They may still compare financial statements of different governments, different departments or different councils, but this would rather be to understand how well their country's government, their city's council or a particular government department is performing compared to another government, council or department. This is different to buy-side investors regularly comparing large volumes of financial statements to make buy/sell/hold decisions. While we consider that comparability is still beneficial in general for public sector primary users like taxpayers and ratepayers, the extent of comparability that these users need to meet their needs may be different compared to investors in the private sector, whose concerns the IASB aimed to address in introducing the IFRS 18 categories.
34. As noted above, in the for-profit sector, the effort of implementing the IFRS 18 requirements in relation to categories in the statement of financial performance have been significant, and we expect similar levels of effort to be required in the public sector. We are also aware of some questions on specific aspects of the proposed IFRS 18-based categories in the public sector context, which may indicate public sector application challenges, and questions as to whether categorisation requirements will result in useful information for primary user in some cases. For example, we have heard:

- (a) Questions in relation to the distinction between the investing category and operating category in the public sector context, and whether grants and funding relating to capital projects should be classified in the operating or investing category.
- (b) Calls for guidance on determining the appropriate category for public sector-specific items like service concession arrangements, which are currently not specifically discussed in the Illustrative ED.
- (c) Questions about the appropriateness of classifying revenue and expenses from investments in associates and joint ventures within the investment category – as per the proposed IFRS 18-based categorisation requirements – in situations where the investment is for the purpose of achieving the entity’s service delivery objectives, such as promoting regional development, rather than generating a financial return.

Preliminary View 9—Chapter 4: Statement of Financial Performance

The IPSASB’s Preliminary View is to present totals and subtotals, and to permit entities to present additional subtotals, on the Statement of Financial Performance, as listed in paragraph 4.35. The total and subtotal requirements are aligned with IFRS 18 requirements, adapted for the public sector.

Do you agree with the IPSASB’s Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

- 35. We support retaining the requirement to present total surplus or deficit and permitting additional subtotals where they provide a useful structured summary and meet appropriate discipline.
- 36. However, our support does not extend to requiring the specific subtotal of ‘operating surplus or deficit’ unless and until the IPSASB has established a clear basis for the related categorisation proposals. Please refer to our comments on PV 8 above.

Preliminary View 10—Chapter 4: Statement of Financial Performance

The IPSASB’s Preliminary View is to maintain the minimum requirements regarding the presentation of line items on the face of the Statement of Financial Performance, with additional guidance. The minimum line item presentation requirements are aligned with IFRS 18 requirements, with additional public sector guidance.

Do you agree with the IPSASB’s Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

- 37. We have not identified any concerns with the existing minimum requirements regarding the presentation of specific line items on the face of the Statement of Financial Performance, and we support the IPSASB’s preliminary view to retain these requirements with additional guidance.
- 38. We consider that the proposed additional guidance to help entities determine whether to present additional line items in the statement of financial performance, in order to provide a

more useful structured summary of its revenue and expense items, would be relevant and useful for the public sector.

39. However, regarding the guidance in paragraph AG86 of the Illustrative ED, which notes that an entity may need to split an individual line item from the ‘minimum requirements’ between the different IFRS 18 categories: Please refer to our comments on the proposed categories under Preliminary View 8.

Specific Matter for Comment 1—Chapter 4: Statement of Financial Performance

The IPSASB proposes to maintain the requirements to present expenses by the nature of the expenses or by their function to the entity on the face of the Statement of Financial Performance, in alignment with IFRS 18 requirements, with additional guidance.

In your view, should the new IPSAS Standard replacing IPSAS 1 permit mixed presentation, where some expense line items are presented by nature, while others are presented by function? Would mixed presentation result in a useful structured summary of those expenses for users of financial statements in your jurisdiction?

Please provide the reasoning behind your view.

40. We consider that the new IPSAS Standard should permit mixed presentation, where some expense line items are presented by nature and others by function.
41. We note that the IASB decided to permit mixed presentation of operating expenses in IFRS 18, despite potential effects on comparability between entities. The IASB acknowledged that prohibiting mixed presentation could, in some cases, prevent an entity from presenting useful information or from providing the most useful structured summary of operating expenses. For example, an entity may conclude that classification by function generally provides the most useful information, while some operating expenses may be difficult to allocate to functions in a non-arbitrary manner. Goodwill impairment is one example of an expense that may not be meaningfully attributable to specific functions.
42. We note that similar challenges as those noted by the IASB and described in the paragraph above could also arise in the public sector. Allowing mixed presentation of expenses for public sector entities, as the IASB did in IFRS 18, would help avoid these challenges.
43. We also note that in the public sector, the group of primary users is broader than in the private for-profit sector, and therefore primary users’ information needs are broader than those of primary users in the for-profit sector (i.e. investors, lenders and other creditors). Therefore, for public sector entities, having the flexibility to present expenses in a way that best reflects the nature of an entity’s operations and activities, may be more important than strict comparability.
44. As such, we have not found public sector–specific reasons to depart from the IASB’s approach for presenting expenses in the statement of financial performance and we support permitting mixed presentation in the public sector.

Preliminary View 11—Chapter 5: Statement of Changes in Net Assets/Equity

The IPSASB's Preliminary View is to maintain (1) requirements to present revenue and expense items recognized outside surplus or deficit directly in net assets/equity, on the Statement of Changes in Net Assets/Equity, and (2) requirements related to reclassification adjustments.

Do you agree with the IPSASB's Preliminary View, and are there additional enhancements to these IPSAS 1 requirements the IPSASB should consider (for example, whether to enhance disclosure requirements to help users better understand the nature and composition of material revenue and expense items recognized outside of surplus or deficit)?

If you do not agree, please provide your reasons and clearly explain what you consider should be changed.

45. We note that the IPSASB proposes to retain the IPSAS 1 requirements to present revenue and expense items recognised outside surplus or deficit directly in net assets/equity, and not to align with the IAS 1/IFRS 18 concept "Other Comprehensive Income" (OCI).
46. New Zealand public sector entities have reported OCI since 2007/2008, when New Zealand transitioned to IFRS-based standards.
47. When XRB mandated the adoption of Public Benefit Entity (PBE) Standards (based primarily on IPSAS) for the public sector in 2014/2015, it modified the PBE equivalent of IPSAS 1 to retain the presentation of OCI. This decision reflected a careful consideration of the New Zealand reporting environment and stakeholder needs. The key reasons for this modification were as follows:
 - (a) OCI was already well established in practice, having been applied consistently since the transition to IFRS in 2007/08.
 - (b) Retaining OCI maintains consistency and alignment with reporting in the for-profit sector, which is important for comparability within New Zealand's overall financial reporting framework.
 - (c) There was no evidence to suggest that users found the presence of both surplus/deficit and OCI to be confusing. On the contrary, changing the presentation at that time—after several years of consistent application—was considered more likely to create confusion than to improve understandability.
 - (d) The XRB also noted that there was no clear international consensus or research demonstrating whether the IASB's OCI approach or the IPSASB's net assets/equity approach was conceptually superior. In the absence of such conceptual guidance, there was limited basis for requiring a change in approach.
48. After weighing the abovementioned factors, the XRB concluded that retaining the existing approach would best meet the needs of New Zealand constituents. This position was supported by feedback received during consultation at the time.
49. In retaining the concept of OCI in PBE Standards, the XRB decided to relabel OCI as "other comprehensive revenue and expenses" (OCRE), as this terminology is more appropriate for the public sector context.

50. Based on our experience, we are not aware of any significant issues arising from the current OCRE requirements. The approach is well understood, consistently applied, and continues to provide useful information to users. Additionally, alignment with the for-profit sector where appropriate remains beneficial in supporting comparability across sectors.
51. Should the IPSASB develop a new Standard that does not include the concept of OCI, we expect that the XRB would retain the existing OCI presentation in New Zealand PBE Standards. This reflects the long-standing application of OCI in New Zealand and the considerations outlined above, including the benefits of continuity of practice and alignment with the for-profit sector.
52. Notwithstanding the above, we have not formed a view on how this issue should be addressed at the international level. We recognise that different jurisdictions may have different reporting traditions and user needs, and we therefore do not express a preference as to whether the IPSASB should require or prohibit an OCI-type presentation in IPSAS Standards.

Preliminary View 12—Chapter 5: Statement of Changes in Net Assets/Equity

The IPSASB's Preliminary View is to maintain the presentation requirements regarding the Statement of Changes in Net Assets/Equity, and revise the reconciliation requirement to require the reconciliation be displayed on the face of the Statement.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

53. Overall, we support the preliminary view. We consider that requiring the reconciliation between the opening and closing balance of components of net assets/equity to be presented on the face of the Statement of Changes in Net Assets/Equity, as aligned with IFRS 18, would be beneficial. In our view, such an approach would enhance the understandability of financial statements by making key movements in net assets/equity more visible and accessible to users.
54. We understand that practice in New Zealand is mixed in this area. Some public sector entities currently present reconciliations on the face of the Statement of Changes in Net Assets/Equity, while others provide this information in the notes. We consider that, for most entities that currently present the reconciliation in the notes, moving this information to the face of the statement would not be difficult to implement.
55. However, we note that certain entities—such as local authorities—are required to provide detailed disclosures regarding transfers to and from restricted reserves. For these entities, while we consider that high-level reconciliation information should be presented on the face of the statement of changes in net assets/equity, we note that more detailed breakdowns would still need to be provided in the notes, to meet legislative or regulatory requirements and to ensure that users retain access to sufficiently detailed information.

Preliminary View 13—Chapter 5: Statement of Changes in Net Assets/Equity

The IPSASB's preliminary view is that guidance based on IFRIC 17 *Distribution of Non-cash Assets to Owners* should not be incorporated into the IPSAS Standards, as the relevant transactions are not prevalent in the international public sector.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

56. Based on our outreach, we are not aware of evidence that transactions within the scope of IFRIC 17 are prevalent in the New Zealand public sector. On that basis, we agree that there does not appear to be a compelling need to incorporate IFRIC 17 into IPSAS.

Preliminary View 14—Chapter 6: Disclosure of Information in the Notes

The IPSASB's Preliminary View is to retain existing IPSAS 1 requirements for the disclosure of information in the notes to the financial statements, and incorporate the IASB's amendments to IAS 1 (as presented in paragraphs 6.7 and 6.12) which would align with equivalent IFRS Accounting Standards guidance.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

57. We agree with the IPSASB's proposal to incorporate into IPSAS the IASB's 2014 amendments *Disclosure Initiative*. These IASB amendments included various clarifications to the disclosures requirements in IAS 1, including in relation to materiality (items that are not material need not be disclosed even when they are required by IFRS), order of the notes (e.g. giving prominence to areas most relevant to understanding the entity's financial performance and position), subtotals (refined criteria for presenting additional subtotals). In New Zealand, these IASB amendments have already been incorporated into PBE IPSAS 1 *Presentation of Financial Report*, as they were considered to be useful for public benefit entities. We are not aware of any issues with these requirements in New Zealand.
58. We agree that an equivalent of IASB's *Disclosure of Accounting Policies* should be incorporated into IPSAS – noting that the reference to 'material' accounting policies instead of 'significant' ones seems beneficial, considering that materiality is defined in IPSAS and is a concept used throughout IPSAS.

Preliminary View 15—Chapter 6: Disclosure of Information in the Notes

The IPSASB's Preliminary View is to not incorporate the IFRS 18 definition and disclosure requirements for management-defined performance measures (MPMs) into the IPSAS Standards.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

Preliminary View 16—Chapter 6: Disclosure of Information in the Notes

The IPSASB's Preliminary View is to not include an amended IFRS 18 MPM concept for application in the public sector (thereby not introducing an amended version of the IFRS 18 MPM definition or disclosure requirements into the IPSAS Standards).

Do you agree with the IPSASB's Preliminary View?

If not, please:

- a) Provide your reasons, and provide specific examples of alternative performance measures that are defined by management and provided in public communications outside the financial statements; and
- b) Clearly explain why there is a need for greater transparency of those measures that warrants new guidance in the IPSAS Standards.

59. We have considered PV 15 and PV 16 together and to provide a combined response.
60. Evidence from our review of a sample of public sector financial statements indicates that some measures used by New Zealand public sector entities may meet the IFRS 18 definition of MPMs. While the IPSASB concluded that alternative performance measures meeting the IFRS 18 definition of MPM are not prevalent in the public sector, the usage of such measures may be common enough to merit consideration of disclosure requirements.
61. Feedback received indicates that 'non-GAAP' performance and position measures in the public sector may not always be well understood by public sector stakeholders and that enhanced disclosure requirements for those measures could be beneficial.
62. However, we also note that public sector entities publish a broad range of information, including in budgets and annual reports, and share performance and expenditure information on a variety of platforms including websites and media releases. Therefore, it may be difficult and costly:
 - (a) For entities to identify MPMs; and
 - (b) For auditors provide reasonable assurance that MPM disclosures are complete.Those challenges would further increase if the scope of the disclosures is broadened to financial performance and position measures beyond the IFRS 18 definition of MPM.
63. Therefore, we consider that the IPSASB should only develop disclosure requirements for MPMs and/or other financial performance or position measures used by public sector entities in public communications if it can identify an approach that minimises the cost of identifying those measures.
64. If such approach is identified, the IPSASB should consider extending the enhanced disclosure requirements to financial performance and position measures beyond the IFRS 18 definition of MPM (for example net debt or residual cash).