New Accounting Standards and Interpretations for Tier 1 Public Sector and Not-for-Profit Public Benefit Entities

31 March 2017
Introduction

This document is applicable for Tier 1 Public Benefit Entities (PBEs) applying PBE Standards. This document contains disclosure information on changes in accounting policy on adoption of new and amended PBE Standards. The document also contains disclosure information on changes in accounting policy on adoption of PBE Standards issued but not yet effective. This publication lists all applicable PBE Standards issued as of 31 March 2017 and are applicable for PBEs with 31 March 2017 year-ends.

This document has two parts:

Part A – Changes in accounting policy

This table lists all the applicable accounting standards which would have been adopted for the first time for PBEs with a 31 March 2017 year-end.

Paragraph 33 of PBE IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors (‘PBE IPSAS 3’) states that when an initial application of a standard has an effect on the current period, or any prior period, an entity shall disclose:

a) The title of the Standard
b) When applicable, that the change in accounting policy is made in accordance with the transitional provisions
c) The nature of the change in accounting policy
d) When applicable, a description of the transitional provisions
e) When applicable, the transitional provisions that might have an effect on future periods
f) For the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected
g) The amount of the adjustment relating to periods before those present, to the extent practicable
h) If retrospective application is impracticable for a particular prior period, or for the periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Part B – Accounting standards issued but not yet effective

This table lists all applicable PBE Standards issued but not yet effective for 31 March 2017 year-ends and assumes that the entity has elected not to “early adopt” any of these Standards/Interpretations.

Paragraph 35 of PBE IPSAS 3 requires disclosure of the possible impact of new and revised PBE Standards that have been issued but are not yet effective.

However, this requirement in PBE IPSAS 3 applies only to Tier 1 PBEs reporting under “full” PBE Standards. PBEs in Tier 2 that apply PBE Standards with reduced disclosure requirements (PBE Standards RDR) need not disclose information about standards issued but not yet effective, due to disclosure concessions provided in PBE IPSAS 3.

The tables in Part A and B will be updated and released for reporting periods ending 31 March, 30 June, 30 September and 31 December.
Part A - Change in accounting policy for Public Sector and Not-for-profit PBEs

The following Standards and Interpretations would have been applied for the first time for Public Sector and Not-for-profit PBEs with years ending 31 March 2017:

<table>
<thead>
<tr>
<th>Reference</th>
<th>Title</th>
<th>Summary</th>
<th>Effective date of Standard*</th>
<th>Application date for the entity**</th>
</tr>
</thead>
<tbody>
<tr>
<td>PBE IPSAS 1</td>
<td>Disclosure Initiative</td>
<td>The amendments clarify existing PBE IPSAS 1 requirements that relate to materiality, order of the notes, subtotals, accounting policies and disaggregation. Consequential amendments derived from the amendments to PBE IPSAS 1 have been made to PBE IPSAS 30 and PBE IAS 34.</td>
<td>1 January 2016</td>
<td>1 April 2016</td>
</tr>
</tbody>
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PBE IPSAS 1, PBE IPSAS 16, PBE IPSAS 17, PBE IPSAS 19, PBE IPSAS 20, PBE IPSAS 28, PBE IPSAS 29, PBE IPSAS 31, PBE IFRS 3, PBE IFRS 5, PBE IAS 34

2015 Omnibus Amendments to PBE Standards

The following standards are amended by this standard:

PBE IPSAS 1:
- Clarifies the requirements for comparative information.
- Consequentially amends PBE IAS 34 and PBE FRS 47 as a result of the above amendment to PBE IPSAS 1.

PBE IPSAS 16:
- Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in PBE IFRS 3 Business Combinations and investment property as defined in PBE IPSAS 16 Investment Property requires the separate application of both standards independently of each other.

PBE IPSAS 17:
- Clarifies when servicing equipment is considered property, plant and equipment or inventory.
- Clarifies the treatment of the carrying amount and accumulated depreciation when an item of property, plant and equipment is revalued.
- Clarifies the acceptable methods of depreciating assets.

<p>| | | | 1 January 2016 | 1 April 2016 |</p>
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| PBE IPSAS 1, PBE IPSAS 16, PBE IPSAS 17, PBE IPSAS 19, PBE IPSAS 20, PBE IPSAS 28, PBE IPSAS 29, PBE IPSAS 31, PBE IFRS 3, PBE IFRS 5, PBE IAS 34 | 2015 Omnibus Amendments to PBE Standards (continued) | PBE IPSAS 20:  
► Clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity (management entity) is a related party of the reporting entity.  
► Requires disclosure of the amounts paid or payable to the management entity for the provision of key management personnel services. | 1 January 2016 | 1 April 2016 |
| PBE IPSAS 20:  
► Clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity (management entity) is a related party of the reporting entity.  
► Requires disclosure of the amounts paid or payable to the management entity for the provision of key management personnel services. | 2015 Omnibus Amendments to PBE Standards (continued) | PBE IPSAS 28:  
Clarifies the tax effect of distributions to holders of equity instruments and of transaction costs of an equity transaction. |
| PBE IPSAS 31:  
► Clarifies the treatment of the carrying amount and accumulated amortization when an intangible asset is revalued.  
► Clarifies the acceptable methods of depreciating assets and amortizing intangible assets. | 2015 Omnibus Amendments to PBE Standards (continued) | PBE IFRS 3:  
► Clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date  
► Consequentially amends PBE IPSAS 29 and PBE IPSAS 19 as a result of the amendment to PBE IFRS 3. |
| PBE IFRS 5:  
► Clarifies that when an entity reclassifies an asset from 'held for sale' to 'held for distribution to owners', or vice versa, the change in classification should be treated as a continuation of the original plan of disposal  
► Clarifies that an entity should cease to apply held-for-distribution accounting in the same way as it ceases to apply the held-for-sale accounting when it no longer meets the held-for-sale criteria. | 2015 Omnibus Amendments to PBE Standards (continued) | PBE IAS 34:  
Clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. |
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<tr>
<td>PBE IPSAS 1, PBE IPSAS 3,</td>
<td>Amendments to PBE Standards and Authoritative Notice as a Consequence</td>
<td>The following standards are amended by this standard: PBE IPSAS 1: ► Align the definition of PBE Standards with the definition of NZ IFRS. ► Insert a definition of PBE Standards RDR. ► Clarify the assertions of compliance to be made by Tier 1 public benefit entities and Tier 2 public benefit entities. ► Clarify the disclosures about the basis of preparation of the financial statements. PBE IPSAS 3: ► Amend the definition of PBE Standards to be consistent with the definition of PBE Standards in PBE IPSAS 1. PBE IPSAS 6 (PS) and PBE IPSAS 6 (NFP): ► Appendix B of both PBE IPSAS 6 (PS) and PBE IPSAS 6 (NFP) is amended for clarification. PBE IAS 34: ► Clarify the assertions of compliance with interim financial statements. PBE FRS-43: ► Clarify the basis of preparation and assertions of compliance. PBE FRS-46: ► Align the definition of NZ IFRS with the definition in the for-profit accounting standards. ► Add definitions of NZ IFRS RDR and PBE Standards RDR. ► Align the definition of PBE Standards with the definition in PBE IPSAS 1. ► Clarify the basis of preparation of financial statements. PBE FRS-47: ► Align the definition of NZ IFRS with the definition in the for-profit accounting standards. ► Add definitions of NZ IFRS RDR and PBE Standards RDR. ► Align the definition of PBE Standards with the definition in PBE IPSAS 1. ► Clarify the basis of preparation of financial statements. ► Clarify the application of this standard and the disclosures required when a PBE applied PBE Standards in a previous period but not in the most recent previous period.</td>
<td>1 January 2016</td>
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<td>PBE IPSAS 6 (PS), PBE IPSAS 6</td>
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<td>PBE FRS-46, PBE FRS-47</td>
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<td>PBE IPSAS 23</td>
<td>Donated Goods (Amendment to PBE IPSAS 23)</td>
<td>The amendments are to permit an entity not to recognise goods in-kind that meet the definition of inventories in PBE IPSAS 12 Inventories if it is not practicable to measure reliably the fair value of those goods at the date of acquisition because the costs of recognising the goods at the date of acquisition outweigh the benefits. This will often be the case for entities that receive high-volume, low-value second-hand goods in-kind for resale or distribution. In the case where goods in-kind are sold, the entity recognises revenue when they are sold. In the case where such goods in-kind are distributed free of charge, the entity does not recognise revenue. The amendments to PBE IPSAS 23 consequently amend PBE IPSAS 12.</td>
<td>1 January 2016</td>
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Part B – Accounting standards issued but not yet effective for Public Sector and Not-for-Profit PBEs

The following Standards and Interpretations have been issued but are not yet effective for Public Sector and Not-for-profit PBEs for the year ending 31 March 2017:

<table>
<thead>
<tr>
<th>Reference</th>
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| PBE IPSAS 12, PBE IPSAS 17, PBE IPSAS 27, PBE IPSAS 32, PBE IAS 12, PBE IFRS 5 | 2016 Omnibus Amendments to PBE Standards | The following standards are amended by this standard. The amendments are effective for periods beginning on or after 1 January 2017, unless stated otherwise. PBE IPSAS 12  
   ▶ Replaces the term “ammunition” with “military inventories” and includes a description of military inventories. PBE IPSAS 17 and PBE IPSAS 27  
   ▶ Changes the scope of PBE IPSAS 17 to include biological assets that meet the definition of bearer plants (e.g., fruit trees). Agricultural produce growing on bearer plants (e.g., fruit growing on a tree) will remain within the scope of PBE IPSAS 27. As a result of the amendments, bearer plants will be subject to all the recognition and measurement requirements in PBE IPSAS 17, including the choice between the cost model and revaluation model. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may choose to measure a bearer plant at its fair value at the beginning of the earliest period presented. Any difference between the fair value used as deemed cost at that date and the previous carrying amount will be recognised in accumulated comprehensive revenue and expense. This amendment is effective for periods beginning on or after 1 January 2018. Earlier application is permitted. Consequential amendments have been made to the scope of PBE IPSAS 13, PBE IPSAS 16 and PBE IPSAS 26.  
   ▶ Replaces the term “specialist military equipment” with “weapon systems” and includes a description of weapon systems. | 1 January 2017 | 1 April 2017 |
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| PBE IPSAS 12, PBE IPSAS 17, PBE IPSAS 27, PBE IPSAS 32, PBE IAS 12, PBE IFRS 5 (continued) | 2016 Omnibus Amendments to PBE Standards (continued) | PBE IPSAS 32  
► Clarifies that service concession assets should be grouped with similar assets as a class of assets for the purpose of subsequent measurement, consistently with PBE IPSAS 17 and PBE IPSAS 31, and that dissimilar service concession assets cannot be accounted for as a class of assets.  
► If, as a result of the above amendment, an entity reclassifies a service concession asset to a different asset class, this change must be presented retrospectively. |
| | | PBE IAS 12  
► Clarifies the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.  
The amendments clarify that entities need to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference.  
Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount.  
Entities are required to apply the amendments retrospectively.  
However, on initial application of the amendments, the change in the opening net assets/equity of the earliest comparative period may be recognised in opening accumulated comprehensive revenue and expense (or in another component of net assets/equity, as appropriate), without allocating the change between opening accumulated comprehensive revenue and expense and other components of equity. Entities applying this relief must disclose that fact. |
| | | PBE IFRS 5  
► Editorial amendment to clarify that the income tax expense as required by paragraph 81(h) of PBE IAS 12 needs to be disclosed separately for:  
- the revenue, expenses and pre-tax profit or loss of discontinued operations; and  
- the gain or loss recognised on the measurement of fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation. |

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| PBE IPSAS 34, PBE IPSAS 35, PBE IPSAS 36, PBE IPSAS 37, PBE IPSAS 38 | PBE Standards on interests in other entities: PBE IPSAS 34 Separate Financial Statements, PBE IPSAS 35 Consolidated Financial Statements, PBE IPSAS 36 Investments in Associates and Joint Ventures, PBE IPSAS 37 Joint Arrangements, PBE IPSAS 38 Disclosure of Interests in Other Entities | These standards were issued to incorporate the equivalent standards issued by the IPSASB into the PBE Standards, which reflect the reforms introduced by IFRS 10, 11 and 12 in the for-profit sector in 2011. These standards replace PBE IPSAS 6 (both the public sector and NFP versions), PBE IPSAS 7 and PBE IPSAS 8. The new standards:
► Introduce an amended definition of control and extensive guidance on control (and continues to require all controlled entities to be consolidated in the controlling entity’s financial statements, except as noted below).
► Introduce the concept of “investment entity”, exempts investment entities from consolidating controlled entities, and requires investment entities to recognise controlled entities at fair value through surplus or deficit instead.
► Introduce a new classification of joint arrangements, set out the accounting requirements for each type of arrangement (joint operations and joint ventures), and remove the option of using the proportionate consolidation method.
► Require PBEs to disclose information on their interests in other entities, including some additional disclosures that are not currently required under PBE IPSAS 6, 7 and 8. Early application of these standards is permitted, as long as all the standards are applied at the same time. | 1 January 2019 | 1 April 2019 |
| PBE IFRS 9 | Financial Instruments | PBE IFRS 9 introduces into PBE Standards the reforms introduced by NZ IFRS 9 in the for-profit sector. This standard replaces most of the requirements of PBE IPSAS 29. This new standard:
► Introduces a new classification model for financial assets, which may cause certain financial assets to be classified and measured differently as compared to PBE IPSAS 29.
► Introduces a more flexible and less rules-based hedge accounting model, which allows hedge accounting to be applied to a wider range of risk management strategies.
► Introduces a more forward-looking impairment model for financial assets, based on expected credit loss, which may cause certain assets to be impaired earlier than they would be under the current “incurred loss” model.
► Requires PBEs to provide additional disclosures about hedge accounting and impairment. Early application of the standard is permitted. | 1 January 2021 | 1 April 2021 |

* Effective for annual periods beginning on or after this date.
** Assuming that the entity has not early adopted the pronouncement according to specific provisions in the Standard.
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