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

31 December 2016
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 December 2016 and are applicable for PBEs with 31 December 2016 year-ends.

Important note for public benefit entities

Under the multi-standards approach to financial reporting in New Zealand, PBEs now report under PBE accounting standards. For PBEs in Tier 1 (and Tier 2), the applicable PBE accounting standards are PBE Standards. This change was effective from 1 July 2014 for public sector PBEs, and from 1 April 2015 for not-for-profit PBEs. Thus, in the year ended 31 March 2016 and onwards, both public sector PBEs and not-for-profit PBEs in Tier 1 and 2 must report under PBE Standards. This publication no longer includes any information on New Zealand Equivalents to International Financial Reporting Standards with PBE modifications (NZ IFRS PBE), as NZ IFRS PBE were withdrawn from the PBE accounting standards framework for periods beginning on or after 1 April 2015.

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 December 2016 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 December 2016 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 table is complete as at 13 January 2017 and any further Standards/Interpretations issued after this date will also need to be disclosed up until the date of authorisation of the financial report. An entity does not need to refer to Standards/Interpretations that are not applicable to them provided the entity confirms that the Standard/Interpretation is, in fact, not relevant. If the effect of a particular Standard/Interpretation has not yet been determined, those details should be disclosed.

The impact on Group financial statements should be added based on the entity's specific circumstances.

This table 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 Not-for-profit PBEs and Public Sector PBEs

The following standards and interpretations would have been applied for the first time for **Not-for-profit PBEs** with years ending 31 December 2016.

<table>
<thead>
<tr>
<th>Reference</th>
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<th>Application date of standard*</th>
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| PBE Standards for Tier 1 and Tier 2 Public Benefit Entities | The package of PBE Standards is applicable for **Tier 1 and Tier 2 PBEs**, and consists of the following standards:  
- Standard XRB A1 *Accounting Standards Framework*, which is the overarching standard that sets out the accounting standards framework;  
- A suite of 39 PBE Standards; and  
- The Public Benefit Entities (conceptual) Framework.  
The new PBE Standards are based on International Public Sector Accounting Standards, which are themselves based on IFRS. Therefore, for PBEs that previously applied NZ IFRS PBE or NZ IFRS, major changes to accounting policies are not expected. Nevertheless, there are some potentially significant differences and also a range of smaller differences between the PBE Standards and NZ IFRS. Examples of potential significant differences could include:  
- PBE Standards with no equivalent NZ IFRS  
  - PBE IPSAS 23 *Revenue from Non-Exchange Transactions*, which prescribes requirements for accounting for revenue from non-exchange transactions;  
  - PBE IPSAS 32 *Service Concession Arrangements: Grantor*, which prescribes the accounting for service concession arrangements by the grantor.  
- Differences between equivalent standards  
  - PBE IPSAS 20 *Related Party Disclosures*, exempts all transactions between related parties (except key management personnel remuneration) that occur on arm’s length terms and conditions from disclosure by public sector PBEs, and provides a potentially wider definition of key management personnel compared to NZ IFRS 24 *Related Party Disclosures*.  

Please note that this is not a complete list of differences between PBE Standards and NZ IFRS.  
For PBEs that previously applied differential reporting concessions under NZ IFRS PBE (or NZ IFRS), the move to PBE Standards may require more significant and wide-ranging change in accounting policies than those described above. This impact is likely to be greater still for PBEs that previously reported under Old NZ GAAP.  
Please note that under PBE Standards, public sector PBEs and not-for-profit PBEs are subject to the same requirements, except for the following instances:  
- There are two versions of PBE IPSAS 6 - one for public sector PBEs and one for not-for-profit PBEs;  
- PBE IPSAS 20 contains different disclosure requirements for public sector PBEs and not-for-profit PBEs;  
- PBE FRS 47 includes a RDR concession that is available only to Tier 2 not-for-profit PBEs. | 1 April 2015 | 1 January 2016 |
The following standards and interpretations would have been applied for the first time for Public Sector PBEs with years ending 31 December 2016.

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<thead>
<tr>
<th>Reference</th>
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</thead>
<tbody>
<tr>
<td>PBE Standards for Tier 1 and Tier 2 Public Benefit Entities - enhancements for not-for-profit entities</td>
<td>In October 2014, a revised set of PBE Standards were issued, as replacements for the PBE Standards issued in May 2013. The revised standards include enhancements for not-for-profit entities. Early adoption of PBE Standards is permitted.</td>
<td>1 April 2015</td>
<td>1 January 2016</td>
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<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 January 2016</td>
</tr>
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</table>
| 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. | 1 January 2016 | 1 January 2016 |
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<tr>
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<tbody>
<tr>
<td>PBE IPSAS 1, PBE IPSAS 16,</td>
<td>2015 Omnibus Amendments to PBE Standards (continued)</td>
<td>PBE IPSAS 20:</td>
<td>1 January 2016</td>
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<td>PBE IPSAS 17, PBE IPSAS 19,</td>
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<td>► 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.</td>
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<td>PBE IPSAS 20, PBE IPSAS 28,</td>
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<td>► Requires disclosure of the amounts paid or payable to the management entity for the provision of key management personnel services.</td>
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<td>PBE IPSAS 29, PBE IPSAS 31,</td>
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<td>PBE IPSAS 28:</td>
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<td>PBE IFRS 3, PBE IFRS 5,</td>
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<td>Clarifies the tax effect of distributions to holders of equity instruments and of transaction costs of an equity transaction.</td>
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<td>PBE IAS 34</td>
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<td>PBE IPSAS 31:</td>
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<td>► Clarifies the treatment of the carrying amount and accumulated amortisation when an intangible asset is revalued.</td>
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<td>► Clarifies the acceptable methods of depreciating assets and amortising intangible assets.</td>
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<td>PBE IFRS 3:</td>
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<td>► Clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date</td>
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<td>► Consequentially amends PBE IPSAS 29 and PBE IPSAS 19 as a result of the amendment to PBE IFRS 3.</td>
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<td>PBE IFRS 5:</td>
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<td>► 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</td>
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<td>► 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.</td>
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<td>PBE IAS 34:</td>
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<td>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.</td>
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| PBE IPSAS 1, PBE IPSAS 3, PBE IPSAS 6 (PS), PBE IPSAS 6 (NFP), PBE IAS 34, PBE FRS-43, PBE FRS-46, PBE FRS-47 | Amendments to PBE Standards and Authoritative Notice as a Consequence of XRB A1 and Other Amendments | 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.  
► 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.  
► Clarify 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. | 1 January 2016 | 1 January 2016 |
| PBE IPSAS 23 | Donated Goods (Amendment to PBE IPSAS 23) | 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. | 1 January 2016 | 1 January 2016 |
The following standards and interpretations have been issued but are not yet effective for Public Sector PBEs and Not-for-Profit PBEs for the year ending 31 December 2016.

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<thead>
<tr>
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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 and must be disclosed.  
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 weapons systems. | 1 January 2017 | 1 January 2017 |
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</table>
| 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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<tr>
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<tr>
<td>1 January 2017</td>
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<tr>
<td>PBE IPSAS 34, PBE IPSAS 35, PBE IPSAS 36, PBE IPSAS 37, PBE IPSAS 38</td>
<td>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</td>
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<td>PBE IFRS 9</td>
<td>Financial Instruments</td>
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* Designates the beginning of the applicable annual reporting period unless otherwise stated
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