Changing tack
A new financial reporting framework for public benefit entities
January 2017
Public benefit entities (PBEs) have experienced significant changes to their financial reporting requirements over the past few years. The introduction of a new financial reporting framework in New Zealand resulted in changes to the statutory reporting requirements of some PBEs, and the accounting standards applicable to PBEs that prepare general purpose financial statements (that is, financial statements that comply with accounting standards issued by the External Reporting Board).

The New Zealand financial reporting framework has two parts: the statutory financial reporting framework and the accounting standards framework. The statutory framework determines which entities have a legal obligation to prepare general purpose financial statements (“GPFS”) that comply with accounting standards. It also sets out the legal requirements around the audit and filing of financial statements. For some PBEs, these statutory requirements have changed under the new financial reporting framework, due to the enactment of the Financial Reporting Act 2013 (FRA 2013) and Financial Reporting (Amendments to Other Enactments) Acts 2013. In particular, under the new framework, registered charities must prepare and file financial statements that comply with accounting standards, whereas previously they were not required to do so. As a result, for years ended 31 March 2016 and onwards, registered charities will need to comply with accounting standards, and their financial statements could be significantly different to those previously prepared. In contrast, public sector PBEs, such as local authorities, Government departments and Crown entities, already had a statutory obligation to prepare GPFS before the introduction of the new framework. For such entities, their statutory financial reporting requirements did not change, but the accounting standards applicable to them have changed (see below).

The second part of the financial reporting framework, the accounting standards framework, establishes the accounting standards to be applied by entities that have a statutory requirement (or choose) to prepare GPFS. The External Reporting Board (XRB) is responsible for setting such accounting standards. In 2011, the XRB announced its decision to move away from a single set of accounting standards for all entities to a multi-standards framework, which requires PBEs to apply a different set of standards as compared to for-profit entities. As a result of this change, many PBEs that previously prepared their financial statements under New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), another form of IFRS-based standards, or any other standards (such as Old NZ GAAP standards) now need to report under PBE accounting standards. In many cases, this requires PBEs to change some of their accounting policies and adjust their financial statements.

At the time of writing, although public sector PBEs and many not-for-profit PBEs, such as registered charities, have already prepared their first set of financial statements using the new PBE accounting standards, some not-for-profit PBEs will be considering and applying these requirements for the first time.

Other than as discussed above, this publication does not address the existence or otherwise of a statutory obligation to prepare GPFS (please refer to your entity’s governing legislation to ascertain this). Rather, this publication aims to assist PBEs that have such a statutory obligation, or are otherwise required or choose to, prepare GPFS, in understanding and applying the requirements of PBE Standards under the new financial reporting framework.

In this publication, we provide:

- A summary of the financial reporting requirements for PBEs (Section 1).
- The key differences between PBE Standards applicable to Tier 1 and Tier 2 PBEs and previous accounting requirements, and other matters (Section 2), including:
  - A summary of matters relating to first-time adoption of PBE Standards (Section 2.1).
  - The key differences between PBE Standards and previous financial reporting requirements under the various suites of standards previously applied, covering standards based on NZ IFRS and Old NZ GAAP (Section 2.2 - 2.4).
  - Specific considerations for not-for-profit PBEs that are registered charities (Section 2.5).
  - A summary of disclosure concessions for Tier 2 PBEs (Section 2.6).
- A summary of next steps for entities applying PBE Standards for the first time (Section 3).
- A summary of the recent exposure drafts issued by the New Zealand Accounting Standards Board (NZASB) to amend PBE Standards (Section 4).
- How EY can help your organisation when transitioning to PBE Standards (Section 5).
1. Summary of the accounting standards framework for PBEs

PBEs are defined as entities whose primary objective is to "provide goods or services for community or social benefit, and where any equity has been provided with a view to supporting that primary objective, rather than for a financial return to equity holders" (XRB A1, Appendix A).

Examples of PBEs include many entities in the public sector (e.g. government departments, hospitals and schools), along with charities and some other not-for-profit entities in the private sector. Under the XRB's accounting standards framework, these entities are required to report under PBE accounting standards. However, public sector entities that are profit-oriented (e.g. state-owned enterprises) will continue to use the accounting standards applying to for-profit entities, i.e. NZ IFRS.

Although the definition of a PBE has not changed, the distinction between PBEs and for-profit entities is now much more important under the new multi-standards framework — as the classification of an entity as a PBE or a for-profit entity will determine which suite of accounting standards applies. Therefore, the first step is to determine whether or not an entity meets the definition of a PBE. For some entities this may involve revisiting the definition of a PBE — for both the parent/group and any subsidiaries in the group.

Once an entity has determined that it meets the definition of a PBE, the next step is to consider which tier of reporting requirements to apply. All entities fall into Tier 1 by default, but can elect to report under a lower tier, provided they meet qualifying criteria.

As can be seen from the diagram above, under the XRB’s framework, large and medium-sized PBEs (and PBEs that have “public accountability” as defined in XRB A1) have to report under PBE Standards. The remainder of this publication focuses on these PBE Standards. Small and micro PBEs (Tiers 3 and 4) should contact their usual EY adviser or visit the XRB website (www.xrb.govt.nz) for further information on their reporting requirements under the standards “PBE Simple Format Reporting – Accrual” and “PBE Simple Format Reporting – Cash” respectively.

The package of PBE Standards consists of the following:

- Standard XRB A1, which applies to all reporting entities. This is the overarching standard that sets out the accounting standards framework, describes the tier structure, describes the criteria for the tiers and sets out the applicable accounting standards for each tier. An Explanatory Guide to help entities understand and apply Standard XRB A1 is also included in the package.
- A suite of standards that apply to large and medium-sized PBEs (Tiers 1 and 2). These standards are primarily based on International Public Sector Accounting Standards (IPSAS), with some modifications for application in New Zealand.
2. Key differences between PBE Standards and previous requirements

The exact impact of PBEs moving from existing standards to PBE Standards will differ from entity to entity. The impact will also depend on the existing standards applied by the entity.

Before the introduction of PBE Standards, different PBEs will have reported under different financial reporting standards. Depending on the PBE’s size, ownership structure and other criteria, PBEs that were required to prepare general purpose financial statements will have reported in accordance with one of the following sets of standards:

- NZ IFRS as applicable to PBEs (“NZ IFRS PBE”) in full.
- NZ IFRS PBE with differential reporting concessions (NZ IFRS PBE Diff Rep).
- Old NZ GAAP – either in full or with differential reporting concessions.

PBEs that did not have a requirement to prepare general purpose financial statements that comply with accounting standards may have reported under any of the abovementioned standards, or they may have not applied any standards at all (i.e. special purpose financial reporting).

For PBEs that previously reported under full NZ IFRS PBE, the move to the new PBE Standards is the most significant change in financial reporting since the initial move to NZ IFRS. However, most PBEs that previously applied full NZ IFRS PBE should find that there is no need to make many major changes to their accounting policies – because the new PBE Standards are based on IPSAS, which are themselves based on IFRS. Nevertheless, there are some potentially significant differences and also a range of smaller differences between PBE standards and NZ IFRS PBE.

In contrast, for PBEs that previously qualified for and applied differential reporting concessions available under NZ IFRS PBE, the changes in accounting policies required upon adoption of PBE Standards may be more wide-ranging and significant.

Furthermore, for PBEs that previously applied Old NZ GAAP (or any other standards or policies that are not based on NZ IFRS), the impact of transition to PBE Standards is likely to be greater still.

Changes in accounting policies necessitated by the transition to PBE Standards are likely to require adjustments to a PBE’s financial statements. Public sector PBEs should have already made this transition, whereas some not-for-profit PBEs are still about to make the move. Every not-for-profit PBE that is required to (or chooses to) move to the new PBE Standards needs to go through a process of identifying relevant differences and assessing the impact on their financial reporting. That assessment then helps to determine what changes might be needed to accounting processes and information systems.

2.1 First-time adoption of PBE Standards

As mentioned above, PBEs are likely to have to change their accounting policies upon transition to PBE Standards regardless of the standards that they applied before the transition (although the extent of the changes will depend on what standards were previously applied). The manner in which these changes are applied upon first-time adoption, including transitional provisions, is described in the following two PBE Standards:

- **PBE FRS 46 First-time adoption of PBE Standards by Entities Previously Applying NZ IFRSs (PBE FRS 46)** sets out the transitional provisions for PBEs that have previously applied standards based on IFRS – either full NZ IFRS PBE or NZ IFRS PBE Diff Rep (it also applies to PBEs who previously used for-profit versions of NZ IFRS, i.e. full NZ IFRS, NZ IFRS RDR, or NZ IFRS Diff Rep – referred to in this document as NZ IFRS).

- **PBE FRS 47 First-time adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRSs (PBE FRS 47)** sets out the transitional provisions for PBEs that previously applied Old NZ GAAP (or any other non-IFRS standards – referred to in this document as Old NZ GAAP) or did not previously apply any accounting standards.

The main difference between the above two standards is that under PBE FRS 47, PBEs have a range of transitional provisions available to them upon adoption of PBE Standards, and are allowed to change their accounting policies upon transition. PBE FRS 47 is essentially based on NZ IFRS 1 First-time adoption of NZ IFRS. Under PBE FRS 46, PBEs that have previously applied any form of NZ IFRS must not change their accounting policies, unless a change is required by PBE Standards or is a voluntary change, or correction of an error, made in accordance with PBE IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors. PBE FRS 46 does not have as many transitional provisions as PBE FRS 47.
Comparative Information

On adoption of PBE Standards, an entity is required to determine its “date of transition to PBE Standards”. Under PBE FRS 46 and PBE FRS 47, for all PBEs except for Tier 2 not-for-profit PBEs that did not previously apply IFRS-based standards, as discussed below, the date of transition is “the start of the earliest period for which the entity presents full comparative information in its first set of financial statements prepared under PBE Standards”. Both PBE FRS 46 and PBE FRS 47 require an opening statement of financial position to be prepared, in accordance with PBE Standards, as at this date of transition (i.e. prepared as part of the entity’s accounting records).

For example, if a PBE presents financial statements under PBE Standards for the first time for the year ended 31 December 2016, the PBE’s date of transition will be 1 January 2015 (except for Tier 2 not-for-profit PBEs that did not previously apply IFRS-based standards). An opening statement of financial position is required to be prepared at 1 January 2015, and all transactions from this date must be accounted for in accordance with PBE Standards. Thus, comparative figures for the year ended 31 December 2015 must also comply with PBE Standards.

The opening statement of financial position prepared at the date of transition need only be presented (i.e. disclosed in the entity’s financial statements) by Tier 1 PBEs that previously applied Old NZ GAAP or another form of non-IFRS-based standards (but all PBEs must prepare this statement).

Tier 2 not-for-profit PBEs that previously did not apply IFRS-based standards have a choice of determining their date of transition as either the start of the earliest comparative period presented (which would result in the same requirements as outlined above), or the start of the year in which they first report under PBE Standards. Using the example above, if financial statements are prepared for the first time under PBE Standards for the year ended 31 December 2016, the PBE could choose the date of transition as either 1 January 2015 or 1 January 2016. This means that they have the option of not preparing and not presenting comparative information in accordance with PBE Standards in their first financial statements prepared under PBE Standards. If this option is taken, the entity’s opening statement of financial position must be prepared, and presented, as at the start of the current reporting period (in our example above this would be 1 January 2016).

Transitional Provisions

Unless there are exemptions from retrospective application, all changes in accounting policies that result from the transition to PBE Standards need to be applied retrospectively, i.e. to all preceding accounting periods, as well as the current accounting period.

Application of PBE FRS 46

Entities applying PBE FRS 46 have transitional provisions available to them if they are required to recognise an asset or liability that previously was not recognised. The entity will have a choice of: (a) applying the relevant PBE Standards retrospectively, (b) measuring the asset/liability at fair value on the date of transition to PBE Standards, or (c) using a fair value measure as the deemed cost of the asset/liability upon transition to PBE Standards. This choice is available in all cases where first-time adoption of PBE Standards results in the recognition of previously unrecognised assets and liabilities, except for the following situations where PBE FRS 46 provides specific transitional provisions, namely:

- For assets or liabilities arising on the application of PBE IPSAS 23 Revenue from Non-Exchange Transactions: PBE IPSAS 23 is required to be applied retrospectively to all previous accounting periods, including periods before the “date of transition to PBE Standards”.
- For assets or liabilities arising on the application of PBE IPSAS 32 Service Concession Arrangements: Grantor: If the PBE is a grantor in a service concession arrangement that began before the date of transition to PBE Standards, but has previously not recognised a service concession asset and related liability with respect to this arrangement, then the PBE may recognise the asset and liability at deemed cost as at the date of transition to PBE Standards. The deemed cost is the fair value of the asset as at the date of transition to PBE Standards. This means that the PBE does not need to determine the cost/fair value of the service concession asset/liability as at the date when it first entered into the service concession arrangement.
- For entities that previously applied NZ IFRS PBE Diff Rep (see section 2.3 below).

Application of PBE FRS 47

For entities applying PBE FRS 47, there are a number of specific transitional provisions providing an entity with relief from retrospective application. These include concessions for:

- Business combinations an entity may have entered into prior to the date of transition.
- The use of fair value as deemed cost for property, plant and equipment, investment property and intangible assets at the date of transition.
- Assets and liabilities arising from PBE IPSAS 32 (in a similar manner to PBE FRS 46).
- Entities previously applying Old NZ GAAP differential reporting concessions (see section 2.4 below) in relation to foreign exchange transactions and development costs.

Please refer to Section 2.4 below for further information on these transitional provisions under PBE FRS 47.

The next sections discuss the differences between PBE Standards and previous standards applied by PBEs, and the effect of these differences. They also discuss transitional provisions, and whether changes can be applied prospectively or must be applied retrospectively.
## 2.2 PBEs previously applying full NZ IFRS PBE

The table below summarises some of the main differences and potential impacts for PBEs transitioning from full NZ IFRS PBE to PBE Standards:

Changes in accounting policies arising from these differences are to be applied using the transitional provisions set out in PBE FRS 46, as outlined in section 2.1 above.

<table>
<thead>
<tr>
<th>PBE Standard</th>
<th>Key changes</th>
<th>Potential impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>PBE IPSAS 23 Revenue from Non-Exchange Transactions</td>
<td>No equivalent standard under NZ IFRS PBE. Recognise an asset and revenue only to extent that liability for deferred revenue is not also recognised. Liability recognised only to extent that present obligations have not been satisfied, and in respect of a transferred asset, only when a transferred asset is subject to a condition (i.e. asset must be consumed as specified, or returned to grantor/donor). Does not permit the recognition of a liability in respect of a transferred asset that is solely subject to a restriction.</td>
<td>High – Impact will depend on whether an entity has significant non-exchange revenue and how its previous accounting policy on revenue from non-exchange transactions compares to PBE IPSAS 23. May lead to earlier recognition of some non-exchange revenue or recognition of fewer liabilities relating to transferred assets. Specifically, those entities with revenue from grants, donations, bequests and similar types of income – such as tertiary education institutions, registered charities and similar entities – need to consider the financial reporting impact of this standard on their organisations.</td>
</tr>
<tr>
<td>PBE IPSAS 32 Service Concession Arrangements: Grantor</td>
<td>No equivalent standard under NZ IFRS PBE. Prescribes the accounting for service concession arrangements by the grantor that is a PBE.</td>
<td>High for affected entities – Difficult to assess impact as there have been relatively few service concession arrangements to date in New Zealand. Unlikely to be relevant to not-for-profit entities, as the grantor in a service concession arrangement is usually a public sector entity. For affected entities, the introduction of the new standard could potentially have a significant impact for grantors depending on how closely an entity's existing policies are to PBE IPSAS 32.</td>
</tr>
<tr>
<td>PBE IPSAS 20 Related Party Disclosures</td>
<td>General requirements are less detailed than NZ IAS 24 (PBE) and focus on principles underlying related party disclosures. For public sector PBEs, transactions between related parties that occur on arm’s length terms and conditions need not be disclosed. In contrast, not-for-profit PBEs are required to disclose related party transactions regardless of whether or not they are on an arm’s length basis. Definition of key management personnel is more detailed and may be interpreted as being wider than the definition in NZ IAS 24 (PBE). Key management personnel remuneration needs to be disclosed by class of key management personnel, rather than by type of remuneration. Additional disclosures on key management personnel remuneration are required, such as the number of persons included in each class of key management personnel on a full-time equivalent basis.</td>
<td>Medium – But the impact on some entities may be significant. Fewer related party disclosures may be required for some public sector PBEs - but this will not be the case for not-for-profit PBEs. Some entities may have to collect new information about their key management personnel and disclose additional information on key management personnel remuneration.</td>
</tr>
<tr>
<td>PBE Standard</td>
<td>Key changes</td>
<td>Potential impact</td>
</tr>
<tr>
<td>--------------</td>
<td>-------------</td>
<td>------------------</td>
</tr>
<tr>
<td>PBE IPSAS 6</td>
<td>Contains less guidance on accounting for the loss of control/significant influence/joint control of a controlled entity/associate/joint venture.</td>
<td>Medium to low – The impact will depend on the entity’s circumstances.</td>
</tr>
<tr>
<td>Consolidated and Separate Financial Statements</td>
<td>Contains less guidance on changes in ownership interest without a loss of control.</td>
<td>The impact on surplus or deficit upon loss of control/significant influence/joint control of a controlled entity/associate/joint venture may be measured differently.</td>
</tr>
<tr>
<td>PBE IPSAS 7</td>
<td>Losses attributable to minority interest (MI) that exceed the MI in the controlled entity to be allocated against the majority interest, except to extent MI has a binding obligation and is able to make additional investment to cover losses.</td>
<td>Could result in divergent treatments of changes in ownership interests without a loss of control.</td>
</tr>
<tr>
<td>Investments in Associates</td>
<td>In separate financial statements, investments in controlled entities, jointly controlled entities and associates can be accounted for at cost, using the equity method, or as a financial instrument.</td>
<td>Losses attributable to minority interest would not necessarily result in the minority interest having a deficit balance.</td>
</tr>
<tr>
<td>PBE IPSAS 8</td>
<td>No guidance on accounting for a group reorganisation in separate financial statements of a new parent.</td>
<td>Investments in controlled entities, jointly controlled entities, and associates may be measured differently in separate financial statements of an investor.</td>
</tr>
<tr>
<td>Interests in Joint Ventures</td>
<td>PBE IPSAS 6 has two version: one for public sector PBEs and one for not-for-profit PBEs. Each version contains additional guidance about the existence of control and other matters relating to consolidation for public sector PBEs and for not-for-profit PBEs respectively.</td>
<td>A new parent arising from a group reorganisation will need to determine the accounting treatment in its separate financial statements.</td>
</tr>
<tr>
<td>PBE IPSAS 7 has a narrower scope than NZ IAS 28, as it applies only when the investment in the associate is an ownership interest in the form of shares or other formal equity structure.</td>
<td>Some investments in associates that are within the scope of NZ IAS 28 (PBE) Investments in Associates may not be within the scope of PBE IPSAS 7 and, therefore, would not be equity accounted.</td>
<td></td>
</tr>
<tr>
<td>PBE IPSAS 8 has a different – and potentially wider – definition of joint control, compared with the equivalent NZ IFRS PBE standard.</td>
<td>The broader definition of joint control under PBE IPSAS 8 may result in more arrangements being within the scope of PBE IPSAS 8 than were previously within the scope of NZ IAS 31 (PBE) Interests in Joint Ventures.</td>
<td></td>
</tr>
<tr>
<td>PBE IPSAS 9</td>
<td>A number of interpretations which form part of NZ IFRS PBE have not been incorporated in the PBE Standards.</td>
<td>Medium to low – Diversity may arise in practice where relevant NZ IFRS guidance has not been incorporated into PBE Standards.</td>
</tr>
<tr>
<td>Revenue from Exchange Transactions</td>
<td>Definition of revenue encompasses gains.</td>
<td>Revenue amounts reported under PBE Standards may not be comparable to revenue amounts reported under NZ IFRS PBE (e.g. arising from the inclusion/exclusion of gains within revenue).</td>
</tr>
<tr>
<td>PBE IPSAS 21</td>
<td>Indicators for impairment testing differ to those under NZ IFRS PBE.</td>
<td>Medium to low – Some assets currently considered to be impaired may not be impaired under the PBE IPSAS 21.</td>
</tr>
<tr>
<td>Impairment of Non-Cash-Generating Assets</td>
<td>PBE IPSAS 21 has three approaches for measuring value in use for non-cash-generating assets – depreciated replacement cost (DRC), restoration cost and service units approach – whereas only DRC is used under NZ IFRS PBE.</td>
<td>In theory, impairment loss calculations could be different, but this is unlikely where DRC continues to be used.</td>
</tr>
<tr>
<td>PBE IPSAS 1</td>
<td>PBE IPSAS 1 uses different terminology than the equivalent NZ IFRS PBE standard and has a range of minor disclosure differences. It also does not prohibit the presentation of ‘extraordinary’ items of revenue or expense, unlike the equivalent NZ IFRS PBE standard.</td>
<td>Low – although given that PBE IPSAS 1 has a range of disclosure requirements, each entity will need to consider the disclosure differences. For example, PBE IPSAS 1 requires receivables to be separated into those from exchange transactions and those from non-exchange transactions.</td>
</tr>
</tbody>
</table>
2.3 PBEs previously applying differential reporting concessions under NZ IFRS PBE

The differences in section 2.2 above also apply to PBEs that previously qualified for and applied differential reporting concessions under NZ IFRS PBE. However, for such PBEs, additional differences may arise, as differential reporting concessions around measurement and recognition are no longer available to them under PBE Standards. Such entities are likely to be Tier 2 PBEs, and therefore are eligible for the Tier 2 reduced disclosure regime (see section 2.6 below), but the same measurement and recognition requirements that apply to Tier 1 PBEs also apply to Tier 2.

<table>
<thead>
<tr>
<th>NZ IFRS PBE standard with differential reporting concessions</th>
<th>Differential reporting concession that is not available under PBE Standards</th>
<th>Potential Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>NZ IAS 7 (PBE) Statement of Cash Flows</td>
<td>Qualifying entities were not required to present a statement of cash flows in the financial statements.</td>
<td>PBEs that applied this concession need to prepare and present a statement of cash flows under PBE Standards. PBEs need to prepare and present a statement of cash flows for the year when they first report under PBE Standards, and for the comparative period (i.e. the previous year).</td>
</tr>
<tr>
<td>NZ IAS 11 (PBE) Construction Contracts</td>
<td>Qualifying entities were able to recognise profit on all construction contracts on a “completed contract method”, whereby profit is recognised only when the contract is completed or substantially completed, and did need not comply with any other requirements of NZ IAS 11 (PBE).</td>
<td>PBEs that applied this concession need to change their accounting policy such that revenue and expenses on construction contracts are recognised with reference to the contract’s stage of completion, if the outcome of the contract can be reliably estimated. If the outcome of the contract cannot be reliably measured, expenses are recognised as they are incurred and revenue is recognised to the extent that the relevant costs have been incurred. PBEs also need to comply with all other relevant accounting and disclosure provisions of PBE IPSAS 11. There are no transitional provisions available under PBE FRS 46 for differences arising from this differential reporting concession. PBEs will have to apply this change retrospectively to all previous accounting periods. This may result in adjustments to the comparative accounting period and/or previous accounting periods to recognise revenue and expense on incomplete projects, which would not have been previously recognised.</td>
</tr>
<tr>
<td>NZ IAS 12 (PBE) Income Taxes</td>
<td>Qualifying entities had a choice of accounting for income tax either in accordance with NZ IAS 12 (PBE), or using the taxes payable method.</td>
<td>PBEs that applied this concession have to change their accounting policies such that tax is measured and recognised using the deferred tax method, as per the requirements of PBE IAS 12 (which is similar to NZ IAS 12 (PBE)). There are no transitional provisions available under PBE FRS 46 for differences arising from this differential reporting concession. PBEs need to apply this change retrospectively to all previous accounting periods. This may result in adjustments to the comparative period and opening equity to recognise deferred tax asset/liability and deferred tax movements, which would not have been previously recognised. Please note that even if a public sector or not-for-profit PBE is exempt from paying income tax, such PBEs may have subsidiaries, joint ventures and/or associates that are not exempt, in which case income tax could be relevant for the PBE.</td>
</tr>
</tbody>
</table>

The following differential reporting concessions that were available under NZ IFRS PBE Diff Rep are not available under PBE Standards. PBEs that previously applied these concessions need to amend their accounting policies accordingly, and potentially make adjustments retrospectively to the comparative period and/or opening equity at the date of transition to PBE Standards for transactions prior to the date of transition.
<table>
<thead>
<tr>
<th>NZ IFRS PBE standard with differential reporting concessions</th>
<th>Differential reporting concession that is not available under PBE Standards</th>
<th>Potential Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NZ IAS 16 (PBE) Property, Plant and Equipment</strong></td>
<td>Qualifying entities were permitted to adopt the same depreciation rates as issued by the Inland Revenue for income tax purposes (except for assets measured using the revaluation model). If this exemption was taken, the entity was also not required to review residual values, useful lives or depreciation methods on an annual basis.</td>
<td>PBEs that applied this concession need to determine the appropriate depreciation rates in accordance with PBE IPSAS 17. Depreciation rates will need to be determined with reference to the useful lives of property, plant and equipment (PP&amp;E) items and the expected consumption of service potential or economic benefit embodied in the PP&amp;E items. PBE FRS 46 includes transitional provisions in relation to this difference. If depreciation rates change as a result of the above assessment, the PBE may either apply this change retrospectively to all previous accounting periods, or account for it as a change in accounting estimates as at the date of transition to PBE Standards. This may result in adjustments to the comparative and/or previous accounting periods to recognise the difference between income tax depreciation rates and the depreciation rate calculated under PBE Standards.</td>
</tr>
<tr>
<td><strong>NZ IAS 18 (PBE) Revenue</strong></td>
<td>Qualifying entities were not required to recognised revenue exclusive of GST — they had a choice of recognising revenue and expense items either with GST included (gross) or with GST excluded (net).</td>
<td>PBEs registered for GST that applied this concession will need to change their accounting policies such that they recognise revenue and expenses exclusive of GST, and recognise a liability/asset for GST payable/receivable. There are no transitional provisions available under PBE FRS 46 for differences arising from this differential reporting concession. This change needs to be applied retrospectively to all previous accounting periods. This may result in an adjustment to the comparative period and/or previous accounting periods to decrease the amount of revenue and expenses previously recognised, and to recognise GST payable/receivable which would not have been previously recognised.</td>
</tr>
<tr>
<td><strong>NZ IAS 21 (PBE) The Effects of Changes in Foreign Exchange Rates</strong></td>
<td>Qualifying entities were not required to translate transactions measured in a foreign currency using the spot exchange rate at the date of the transaction. If this concession was applied, then transactions settled in the accounting period had to be translated at the settlement rate, and transactions unsettled at the end of the reporting period were translated using the closing rate as at the end of the reporting period.</td>
<td>PBEs that previously applied this concession need to change their foreign exchange accounting policy such that transactions denominated in foreign currency are measured at the spot exchange rate as at the date of transaction. PBE FRS 46 has transitional provisions in relation to this difference. This change can be either applied retrospectively to all previous accounting periods, or prospectively from the date of transition to PBE Standards.</td>
</tr>
<tr>
<td><strong>NZ IAS 36 (PBE) Impairment of Assets</strong></td>
<td>Qualifying entities were not required to undertake an annual assessment of impairment for intangible assets with an indefinite useful life, or intangible assets not yet available for use, or goodwill acquired in business combination. Qualifying entities had to test these assets for impairment only when there was an indication that these assets may be impaired at the end of the reporting period.</td>
<td>PBEs that applied this concession need to change their accounting policies such that intangible assets with indefinite useful lives, intangible assets not yet available for use and goodwill are tested for impairment every year, regardless of whether there are indicators of impairment. This change needs to be applied retrospectively to all previous accounting periods in accordance with PBE FRS 46. This may result in an adjustment to the comparative period and/or previous accounting periods to recognise impairment on the abovementioned intangible assets if it is found that impairment had arisen during these periods.</td>
</tr>
<tr>
<td>NZ IFRS PBE standard with differential reporting concessions</td>
<td>Differential reporting concession that is not available under PBE Standards</td>
<td>Potential Impact</td>
</tr>
<tr>
<td>-----------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>------------------</td>
</tr>
<tr>
<td><strong>NZ IAS 38 (PBE) Intangible Assets</strong></td>
<td>Qualifying entities were permitted to expense all research and development costs in the period they are incurred – they were not required to capitalise development costs. Qualifying entities were also permitted to use the rates adopted for income tax purposes in allocating the depreciable amount of the software over its useful life.</td>
<td>PBEs that previously expensed all research and development costs need to change their accounting policy such that development costs that meet the relevant recognition criteria under PBE IPSAS 31 are capitalised. In accordance with PBE FRS 46, PBEs may either apply this change retrospectively to development costs incurred in all previous accounting periods, or prospectively to development costs incurred from the date of transition to PBE Standards. This may result in adjustments to the comparative period and/or previous accounting periods to reverse expenses previously recognised in connection with development costs, and to recognise these costs as assets. PBEs that used tax depreciation rates for financial reporting purposes need to change their accounting policy for amortisation of intangible assets and re-assess their amortisation rates. Amortisation rates will need to be determined with reference to the useful lives of intangible assets and the expected consumption of service potential or economic benefit embodied in the asset. If amortisation rates change as a result of this assessment, in accordance with PBE FRS 46, the PBE may either apply this change retrospectively to all previous accounting periods, or account for it as a change in accounting estimates as at the date of transition to PBE Standards. This may result in adjustments to the comparative and/or previous accounting periods to recognise the difference between income tax amortisation rates and the amortisation rate calculated under PBE Standards.</td>
</tr>
<tr>
<td><strong>NZ IAS 41 (PBE) Agriculture</strong></td>
<td>Qualifying entities were not required to measure biological assets or agricultural produce at fair value – they had a choice of measuring each class of biological assets and each class of agricultural produce either at fair value or at cost. This concession applied even when fair value was reliably measurable. Qualifying entities with livestock were permitted to use national average market values issued by Inland Revenue Department (if the entity measured livestock at fair value), or the national standard costs issued by Inland Revenue Department (if the entity measured livestock at cost) as a proxy for the fair value or cost respectively of a class of livestock, provided that such values are applied consistently to a class of livestock. This concession applies even when the fair value of biological assets is reliably measurable.</td>
<td>PBEs that previously measured biological assets and/or agricultural produce at cost have to change their accounting policy so that these assets are measured at fair value on initial recognition. In accordance with PBE FRS 46, the PBE may either apply this change retrospectively to all biological assets and agricultural produce recognised in previous accounting periods, or prospectively from the date of transition to PBE Standards. If the PBE chooses prospective application, it may continue to carry any agricultural produce that was harvested prior to the date of transition to PBE Standards at the same amount that these items were carried before transition date (i.e. if agricultural produce harvested before the date of transition to PBE Standards was carried at cost, the PBE may continue to carry these items at cost after transition date). However, all agricultural produce harvested after the date of transition must be measured at fair value at the time of harvest in accordance with PBE IPSAS 27. PBEs that previously applied the specific livestock concession have to change their accounting policy so that livestock is measured at fair value. The PBE will have to apply the change retrospectively to all previous accounting periods.</td>
</tr>
</tbody>
</table>
As mentioned above, PBE Standards are based on IPSAS, which are in turn based on IFRS.

However, Old NZ GAAP has not been updated since the introduction of NZ IFRS in New Zealand, therefore Old NZ GAAP is “further removed” from PBE Standards than standards based on IFRS. Thus, for PBEs that previously applied Old NZ GAAP, there may be many differences between the accounting policies that they previously applied under Old NZ GAAP and those that they must apply under PBE Standards.

Moreover, these differences will vary from entity to entity, to a greater extent than for those PBEs that previously applied a version of NZ IFRS. This is because Old NZ GAAP generally contains less guidance on specific areas of the financial statements than NZ IFRS does.

For example, Old NZ GAAP does not have a standard or any specific requirements on the recognition and measurement of financial instruments, or on employee benefits. Therefore, different entities would have applied different policies in these areas under Old NZ GAAP. For this reasons we do not provide a list of differences for PBEs transitioning from Old NZ GAAP to PBE Standards in this publication. However, if you have previously applied Old NZ GAAP we can help you assess the impact of the transition to PBE Standards on your financial statements — please refer to the section “How we can help you” below.

Similarly to PBEs that previously applied differential reporting concessions under NZ IFRS PBE, please note that even though PBEs that previously applied Old NZ GAAP are likely to be Tier 2 PBEs, and therefore be eligible for the Tier 2 reduced disclosure regime, the same measurement and recognition requirements that apply to Tier 1 PBEs also apply to Tier 2.

Unlike PBEs that previously applied a NZ IFRS PBE or any IFRS-based standards suite, PBEs transitioning from Old NZ GAAP to PBE Standards are allowed, in accordance with PBE FRS 47, to change their accounting policy choices upon transition to PBE Standards, as at the date of transition. For example, an entity might decide to change from using the revaluation model to the cost model for PP&E. Further, a first-time adopter can elect to measure PP&E at fair value at the date of transition and use that fair value as deemed cost.

This fair value may be the asset’s revalued amount under previous GAAP, as long as that revalued amount is comparable to fair value, cost or depreciated cost in accordance with PBE Standards. Going forward, the entity can then use this “deemed cost” as the starting point for the cost method or the revaluation method under PBE Standards. This transitional provision ensures the entity does not have to retrospectively determine what the carrying amount of PP&E at the date of transition would have been under PBE Standards. Changes in accounting policies do not need to be applied retrospectively – only prospectively from the date of transition to PBE Standards and onwards.

Where differences arise between the requirements of Old NZ GAAP and PBE Standards, in many cases such differences may not need to be applied retrospectively. This is because PBE FRS 47 provides several exceptions and exemptions from retrospective application. However, if an exemption is not provided or not applied, changes in accounting policies that are necessitated by the transition to PBE Standards must be made retrospectively. Adjustments resulting from retrospective application are recognised in the opening statement of financial position that first-time adopters of PBE Standards must prepare.

Please note that, like NZ IFRS, Old NZ GAAP also included differential reporting concessions. We note that PBE FRS 46 provides a range of exemption for entities previously applying differential reporting exemptions under NZ IFRS (see Section 3.3 above). However PBE FRS 47 only provides exemptions in relation to Old NZ GAAP differential reporting differences for foreign exchange and expensed development costs (as discussed in the table below). PBE FRS 47 does not have similar exemptions as provided in PBE FRS 46 for depreciation, amortisation and agricultural assets.

However, a PBE that uses the abovementioned “deemed cost” exemption under PBE FRS 47 will not be required to retrospectively adjust depreciation and amortisation for periods before the date of transition.

The key exceptions and exemptions from retrospective application are outlined on the next page.
<table>
<thead>
<tr>
<th>Relevant PBE Standard</th>
<th>Exception</th>
</tr>
</thead>
<tbody>
<tr>
<td>PBE IPSAS 3 <strong>Accounting Policies, Changes in Accounting Estimates and Errors</strong></td>
<td><strong>Change in estimates:</strong> A PBE must not change its estimates retrospectively, unless the estimate must be changed due to a change in accounting policies necessitated by the transition to PBE Standards.</td>
</tr>
<tr>
<td>PBE IPSAS 29 <strong>Financial Instruments: Recognition and Measurement</strong></td>
<td><strong>De-recognition of financial instruments:</strong> Financial instruments that were de-recognised under Old NZ GAAP before the date of transition to PBE Standards must not be retrospectively recognised and then de-recognised under PBE IPSAS 29, unless the information required by PBE IPSAS 29 was obtained at the time of the de-recognition.</td>
</tr>
<tr>
<td>PBE IPSAS 29 <strong>Financial Instruments: Recognition and Measurement</strong></td>
<td><strong>Hedge accounting:</strong> Transactions entered into before the date of transition to PBE Standards that had not been designated as hedges shall not be retrospectively designated as hedges upon transition to PBE Standards.</td>
</tr>
<tr>
<td>PBE IFRS 3 <strong>Business Combinations</strong></td>
<td><strong>Past business combinations:</strong> When applying PBE IFRS 3 to previous business combinations, PBEs may choose to do so either prospectively to business combinations occurring from the date of transition to PBE Standards onwards, or retrospectively to business combinations occurring in any previous accounting period. Other related exemptions are also available. Please note that this does not exempt PBEs from retrospectively consolidating all controlled entities.</td>
</tr>
<tr>
<td>PBE IPSAS 4 <strong>The Effects of Changes in Foreign Exchange Rates</strong></td>
<td><strong>Foreign exchange transactions:</strong> An entity that previously translated a transaction measured in a foreign currency using an exchange rate at settlement date rather than an exchange rate at transaction date need not restate the transaction recognised in the periods prior to the date of transition to PBE Standards to comply with PBE IPSAS 4. The entity may apply PBE IPSAS 4 prospectively from the date of transition to PBE Standards.</td>
</tr>
<tr>
<td>PBE IPSAS 16 <strong>Investment Property</strong></td>
<td><strong>“Deemed cost” exemption:</strong> PBEs may measure their PP&amp;E at fair value as at the date of transition to PBE Standards, and use this fair value as the “deemed cost” of the asset as at that date. PBEs using this exemption are not required to go back to accounting periods before the date of transition and determine the cost/depreciated cost (or fair value) of the PP&amp;E in these periods. Note that this exception is available even to PBEs that had previously revalued their PP&amp;E under Old NZ GAAP, as PBE FRS 47 allows first-time adopters to change their PP&amp;E accounting policy. The above also applies to investment properties (if the PBE elects to use the cost model for the property) and to intangible assets (but only if there is an active market for the asset).</td>
</tr>
<tr>
<td>PBE IPSAS 17 <strong>Property, Plant and Equipment</strong></td>
<td></td>
</tr>
<tr>
<td>PBE IPSAS 31 <strong>Intangible Assets</strong></td>
<td></td>
</tr>
<tr>
<td>PBE IPSAS 31 <strong>Intangible Assets</strong></td>
<td><strong>Development costs:</strong> An entity that previously expensed all development costs in the period in which they were incurred need not apply PBE IPSAS 31 to those expenses recognised in the periods prior to the date of transition to PBE Standards. The entity may apply PBE IPSAS 31 prospectively from the date of transition to PBE Standards.</td>
</tr>
</tbody>
</table>
2.5 Specific consideration for not-for-profit PBEs that are registered charities: consolidation and control

Before 1 April 2015, charities were not required to prepare financial statements that comply with generally accepted accounting practice (GAAP) or any accounting standards. While some charities will have voluntarily prepared financial statements under IFRS-based standards, many charities will have prepared financial statements under Old NZ GAAP or special purpose financial reporting. Both IFRS-based standards and Old NZ GAAP will have required a charity (as a reporting entity) to identify those entities that it controls and to prepare a set of consolidated financial statements that include those controlled entities. However, due to the lack of obligation to comply with GAAP, some charities may not have consolidated all of those entities over which they have control. This applies in particular to charities that previously prepared special purpose financial statements that did not comply with GAAP.

However, the Charities Act 2005 (“Charities Act”) now requires all registered charities to prepare financial statements that comply with accounting standards. Registered charities with annual operating payments below $125,000 (i.e. Tier 4 PBEs) may prepare their financial statements in accordance with the non-GAAP standard “PBE Simple Format Reporting – Cash”, which does not require the consolidation of controlled entities. However, all other registered charities must prepare financial statements that comply with GAAP, and therefore must consolidate controlled entities when preparing financial statements in accordance with PBE Standards (if they are in Tier 1 or 2), or in accordance with the standard “PBE Simple Format Reporting – Accrual” (if they are in Tier 3). Such charities should consider the definition of control under PBE IPSAS 6 (NFP) (which is also used in the Tier 3 standard “PBE Simple Format Reporting – Accrual”).

To comply with GAAP, if a charity controls another entity for the purpose of PBE IPSAS 6 (NFP), then the charity must prepare group financial statements and must consolidate this entity into its group financial statements, regardless of whether the entity forms part of the charity’s “single entity” group under the Charities Act. For example, if Charity A controls Charity B for the purpose of PBE IPSAS 6 (NFP), but Charity A and Charity B are not registered as a single entity group under the Charities Act, then Charity A must prepare consolidated financial statements and include Entity B in the consolidation. However, Charity B will also need to prepare its own separate financial statements, as the Charities Act requires every charity that is registered separately to prepare financial statements.

When a charity and another entity are registered as a single entity group, the charity must only consolidate the other entity in its GAAP-compliant financial statements if it controls this other entity as per PBE IPSAS 6 (NFP). However, charities should note that in the case of single entity groups, Charities Services will determine whether they require the single entity group to prepare:

• A single set of financial statements for the single entity group: if control exists between the two entities, this would be the GAAP-compliant consolidated financial statements prepared by the controlling entity. If control does not exist, this would be a “combined” set of financial statements that does not comply with GAAP; or

• Individual financial statements for each entity that makes up the single entity group.

We understand that Charities Services are unlikely to require single entity groups to prepare combined sets of financial statements (where control does not exist) as these are not GAAP compliant financial statements, but would instead require individual financial statement for each entity. For example consider two charities (Charity C and Charity D) which are registered within the same “single entity” group for the purpose of the Charities Act:

• If control exists: If Charity C controls Charity D, then Charity C must prepare consolidated financial statements that comply with GAAP. Charities Services will then determine whether these consolidated financial statements is all that they require from the single entity group, or whether they also require individual financial statements (in which case Charity D will need to prepare its own financial statements).

• If there is no control: If the two charities are not a group in accordance with PBE IPSAS 6 (NFP) (i.e. there is no control relationship between the two entities), then neither charity can consolidate the other in its GAAP-compliant financial statements. In this situation, it is expected that Charities Services will determine that individual financial statements are required, rather than combined financial statements (which would not comply with GAAP).

We suggest entities discuss their reporting requirements with Charities Services if they have registered as a single entity group or have a number of registered charities included within consolidated financial statements.
2.6 Tier 2 disclosure concessions

PBE Standards Reduced Disclosure Regime (PBE Standards RDR) for Tier 2 PBEs has been developed to provide disclosure concessions within each PBE Standard. The disclosure concessions are largely similar to the disclosure concessions for Tier 2 for-profit entities and do not contain any recognition and measurement concessions, unlike NZ IFRS PBE Diff Rep and NZ IFRS Diff Rep.

Disclosure concessions are denoted within the PBE Standards by an asterisk (*) next to the paragraph, and a Tier 2 entity would not be required to comply with these requirements.

Overall, there are more disclosure concessions in PBE Standards compared with the existing differential reporting concessions under NZ IFRS PBE or NZ IFRS Diff Rep. However, the disclosure concessions may be different from existing differential reporting concessions. Specifically, some of the disclosure concessions that are available under PBE Standards RDR for Tier 2 PBEs include:

- **PBE IPSAS 1 Presentation of Financial Statements** – a range of disclosure concessions including disclosures around income tax on items of other comprehensive revenue and expense, reclassification adjustments, audit fees, capital management and dividends.

- **PBE IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors** – disclosures around accounting standards issued but not yet effective are not required.

- **PBE IPSAS 6 Consolidated and Separate Financial Statements** – concessions are provided around disclosures in separate financial statements when an entity elects not to prepare consolidated financial statements and certain information about significant controlled entities, jointly controlled entities or associates.

- **PBE IPSAS 7 Investments in Associates** – a range of disclosure concessions exist including disclosures around summarised financial information of associates and judgements made on whether the investor has significant influence.

- **PBE IPSAS 8 Interests in Joint Ventures** – concessions are provided around disclosure of aggregate financial information when an investor has an interest in a jointly controlled entity and certain information about interests in significant joint ventures.

- **PBE IPSAS 17 Property, Plant and Equipment** – for the comparative period, the reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the period is not required (this reconciliation is still required for the current reporting period), as well as selected other concessions.

- **PBE IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets** – disclosure concessions around provisions and contingent liabilities are provided, including the major assumptions around uncertainties about the amount and timing of outflows, additional provisions made in the period and the amount of any expected reimbursement.

- **PBE IPSAS 21 Impairment of Non-Cash-Generating Assets** and **PBE IPSAS 26 Impairment of Cash-Generating Assets** – disclosure concessions around each impairment loss recognised or reversed during the period and key assumptions used to determine the recoverable amount of assets.

- **PBE IPSAS 30 Financial Instruments: Disclosures** – a range of disclosure concessions are provided including disclosures regarding classes of financial instruments, qualitative and quantitative risk exposures, sensitivity analyses, reconciliations, and fair value.

Some of the existing differential reporting concessions which have been removed under the PBE Standards RDR for Tier 2 PBEs include:

- Entities will be required to prepare a cash flow statement

- Entities that are subject to income tax will be required to account for deferred income tax and provide some of the related disclosures.
We recommend all PBEs that have not yet transitioned to PBE Standards to perform an impact assessment and develop a transition plan.

Organisations first need to determine whether they are a PBE or for-profit entity. For some entities this may involve revisiting the definition of a PBE. Once an entity has determined it is a PBE (and the status of any subsidiaries), the process of planning for conversion can begin.

For PBEs that previously applied NZ IFRS or any of the NZ IFRS-based standards, although the conversion to PBE Standards from NZ IFRS will not be as significant as the move from Old NZ GAAP to NZ IFRS, there are still some differences that entities will need to consider.

These differences may potentially have a significant impact on an entity’s financial reporting processes, including its accounting policies, information systems, internal controls, and other operational aspects. For PBEs that previously applied Old NZ GAAP, the conversion to PBE Standards may result in significant changes in terms of both accounting and disclosure.

In addition, groups headed by a PBE parent that has for-profit subsidiaries, associates or joint ventures will need to consider the implications for group reporting purposes. Where some entities in the group continue to report under NZ IFRS while the parent prepares group financial statements under PBE Standards, it will be necessary to identify and track differences in accounting policies that could result in consolidation adjustments. This issue arises both on transition to PBE Standards and on an on-going basis, especially as for-profit subsidiaries move to new NZ IFRSs ahead of equivalent PBE Standards being developed and adopted.

3. Where to from here?

In 2016, the NZASB has issued a number of exposure drafts to update PBE Standards. At the time of writing, these exposure drafts are yet to be issued as finalised standards, and therefore do not yet form part of the PBE Standards suite. However, it is important for PBEs, including PBEs that are transitioning to PBE Standards for the first time, to be aware of these upcoming changes. The exposure drafts (EDs) issued by the NZASB during 2016 include:

- ED PBE IPSAS 34 – 38, which introduce new requirements around accounting for a PBE’s interests in other entities, including controlled entities, jointly controlled entities and entities over which the PBE has significant influence.
- ED PBE IFRS 9, which introduces the requirements of NZ IFRS 9 Financial Instruments into the PBE Standards suite, and will be available for early adoption at the same time as NZ IFRS 9 becomes effective for for-profit entities.

You can read about these new requirements and their potential implications for PBEs in our publication PBE Standards: On The Horizon, which will soon be available on the EY website.

4. Current Exposure Drafts

- ED on Service Performance Reporting, which provides specific requirements for Tier 1 and Tier 2 PBEs to report service performance information.
- ED PBE IFRS 9, which introduces the requirements of NZ IFRS 9 Financial Instruments into the PBE Standards suite, and will be available for early adoption at the same time as NZ IFRS 9 becomes effective for for-profit entities.
5. How we can help you

EY Financial Accounting Advisory Services and Assurance professionals bring together a wealth of accounting knowledge from diverse experiences advising a range of clients across the public, corporate and not-for-profit sectors.

We have assisted a number of public sector and not-for-profit PBEs with transitioning from NZ IFRS-based standards, Old NZ GAAP and special purpose reporting to Tier 1 or Tier 2 PBE Standards. We can help your organisation assess how the revised accounting standards framework will impact your reporting obligations and assist with the interpretation and implementation of new accounting standards applicable to your organisation.

To help you prepare and plan for the transition to PBE Standards, we can assist with the following steps:

- Entity classification assessment – a review of the entity’s assessment of its classification as a PBE or for-profit entity for financial reporting purposes.
- Initial diagnostic phase – this would include a review of current accounting policies and an initial assessment of the impact of the move to the PBE Standards.
- Identification and assessment of specific issues – identify specific areas of focus for the transition, consideration of the impacts on the financial statements and the processes and systems currently in place.
- Implementation – assist with the interpretation of PBE Standards, creation of new accounting policies, update of financial information and systems, and implementation of the transitional provisions to help create an opening statement of financial position.
- Post implementation – monitor and assess the progress of adoption of new standards and ensure financial information produced is in line with the new requirements.

For PBEs that have already moved to the new PBE Standards, we can assist with the interpretation and application of PBE Standards, and advise on new and upcoming PBE Standards as they are issued by the NZASB and their implications for your PBE.

We have also published an illustrative set of financial statements prepared under PBE Standards. This publication, called Good City Council, is designed to assist both public sector PBEs and not-for-profit PBEs in Tier 1 and Tier 2 to prepare financial statements under PBE Standards or PBE Standards RDR. You can download the latest version of Good City Council from our website, where you will also find our other publications on upcoming new or amended PBE Standards.

In the table over, we outline in more detail the common issues that PBEs in New Zealand are likely to face when moving to new PBE Standards, and indicate how we can help.
<table>
<thead>
<tr>
<th>Issue</th>
<th>How we can help</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain a general understanding of PBE Standards</td>
<td>• Design and provide training sessions for personnel on the accounting implications of adopting PBE Standards.</td>
</tr>
</tbody>
</table>
| Perform a preliminary assessment of the impact of PBE Standards on the entity’s financial statements | • Perform pre-implementation impact assessments, including:  
  • Assessing the expected impact on surplus or deficit of implementing PBE Standards  
  • Assessing the expected impact on key financial ratios and performance measures  
  • Identifying new or changed financial statement disclosure requirements |
| Interpreting and implementing PBE Standards | • Assist with the interpretation of PBE Standards.  
  • Assist management in developing an implementation plan  
  • Advise on project management, including timeline, tasks and resource allocation |
| Selecting suitable accounting policies     | • Advise management on the accounting policy options available to them under PBE Standards.  
  • Analyse the impact of different accounting policy options on the organisation.  
  • Assist management in selecting suitable accounting policies |
| Comparing accounting policy decisions and financial statement disclosures with peers and others in the sector | • Provide observations of how others have implemented PBE Standards, problems they are identifying and solutions developed.  
  • Assist in the comparison of peers and similar entities’ accounting policy decisions, disclosures and expected impact on the financial statements. |
| Advise management during implementation    | • Prepare progress reports and advise on the impact of the adoption of PBE Standards.  
  • Review and provide input into accounting manuals that management will approve |
| Advising whether financial statements are prepared in accordance with the new PBE standards | • Perform financial statement GAAP compliance reviews. |
| Communicating the effect of changes in accounting policy decisions or reporting requirements to the public. | • Advise on developing a communication plan.  
  • Advise on drafting communications. |
Contacts

If you have any queries please contact:

**Auckland**

Graeme Bennett  
Tel: +64 9 300 8191  
graeme.bennett@nz.ey.com

Kimberley Crook  
Tel: +64 9 300 7094  
kimberley.crook@nz.ey.com

Brent Penrose  
Tel: +64 272 749 739  
brent.penrose@nz.ey.com

David Pacey  
Tel: +64 212 425 716  
david.pacey@nz.ey.com

Alex Knyazev  
Tel: +64 218 53 152  
alex.knyazev@nz.ey.com

**Christchurch**

Bruce Loader  
Tel: +64 274 899 984  
bruce.loader@nz.ey.com

John Hodge  
Tel: +64 274 329 184  
john.hodge@nz.ey.com

**Wellington**

Stuart Mutch  
Tel: +64 274 899 378  
stuart.mutch@nz.ey.com

Grant Taylor  
Tel: +64 274 899 410  
grant.taylor@nz.ey.com

Lara Truman  
Tel: +64 274 899 896  
lara.truman@nz.ey.com
About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2017 Ernst & Young, New Zealand.
All Rights Reserved.

APAC No. NZ00000838
NZ1630039
ED None

This communication provides general information which is current at the time of production. The information contained in this communication does not constitute advice and should not be relied on as such. Professional advice should be sought prior to any action being taken in reliance on any of the information. Ernst & Young disclaims all responsibility and liability (including, without limitation, for any direct or indirect or consequential costs, loss or damage or loss of profits) arising from anything done or omitted to be done by any party in reliance, whether wholly or partially, on any of the information. Any party that relies on the information does so at its own risk.

ey.com