



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Accounting Standards Update

Anthony Heffernan — Director of Accounting Standards

Gali Slyuzberg and Jamie Cattell — Project Managers

External Reporting Board

AFAANZ, July 2021

Presentation Overview

- Introduction
- Current significant Accounting Standards projects
 - For-profit
 - Public sector
 - NFP
- Questions



Introduction

Anthony Heffernan – Director of Accounting Standards



Gali Slyuzberg – Project Manager



Jamie Cattell – Project Manager



Introduction

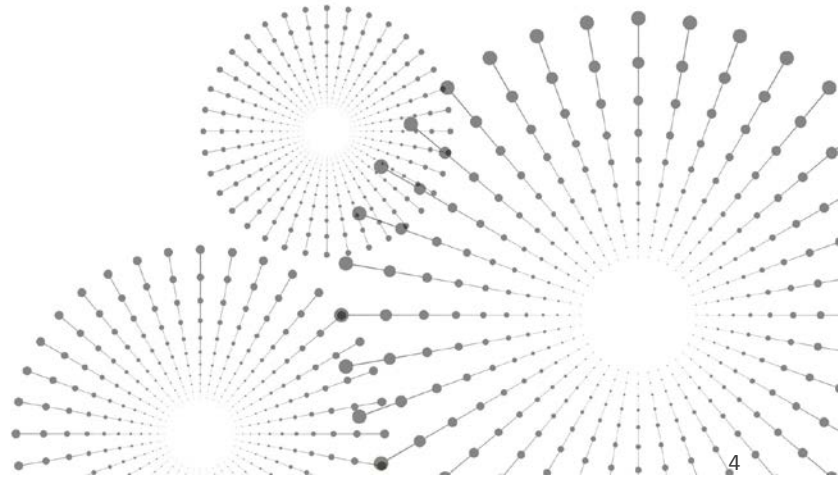
We are the Independent Crown Entity responsible for developing and issuing for New Zealand:

- (a) Accounting standards - **NZASB**;
- (b) Audit, assurance and ethics standards standards - **NZAuASB**; and ...



Subject to legislation passing —
Climate Related Disclosures & integrated reporting

We exist to enable the high quality decision making for resource allocation for the benefit of Aotearoa New Zealand



Current significant Accounting Standards projects – For-profit



IASB's consultations open for comment

Documents currently open for comment

- ED: Regulatory Assets and Regulatory Liabilities
- DP: Business Combinations Under Common Control
- RFI: IASB Agenda Consultation
- ED: Disclosure in IFRS Standards – A Pilot Approach

Comment period closes

30 July 2021

1 September 2021

27 September 2021

21 October 2021

RFI: IASB's Thirds Agenda Consultation

- Seeks views on **what financial reporting issues should the IASB prioritise in the next five years**
- Also seeking feedback on the **IASB's strategic direction and balance of activities**

Comments due to the NZASB by **7 July 2021**, IASB by **27 September 2021**

March 2021

International Accounting Standards Board

Request for Information
Third Agenda Consultation

Comments to be received by 27 September 2021



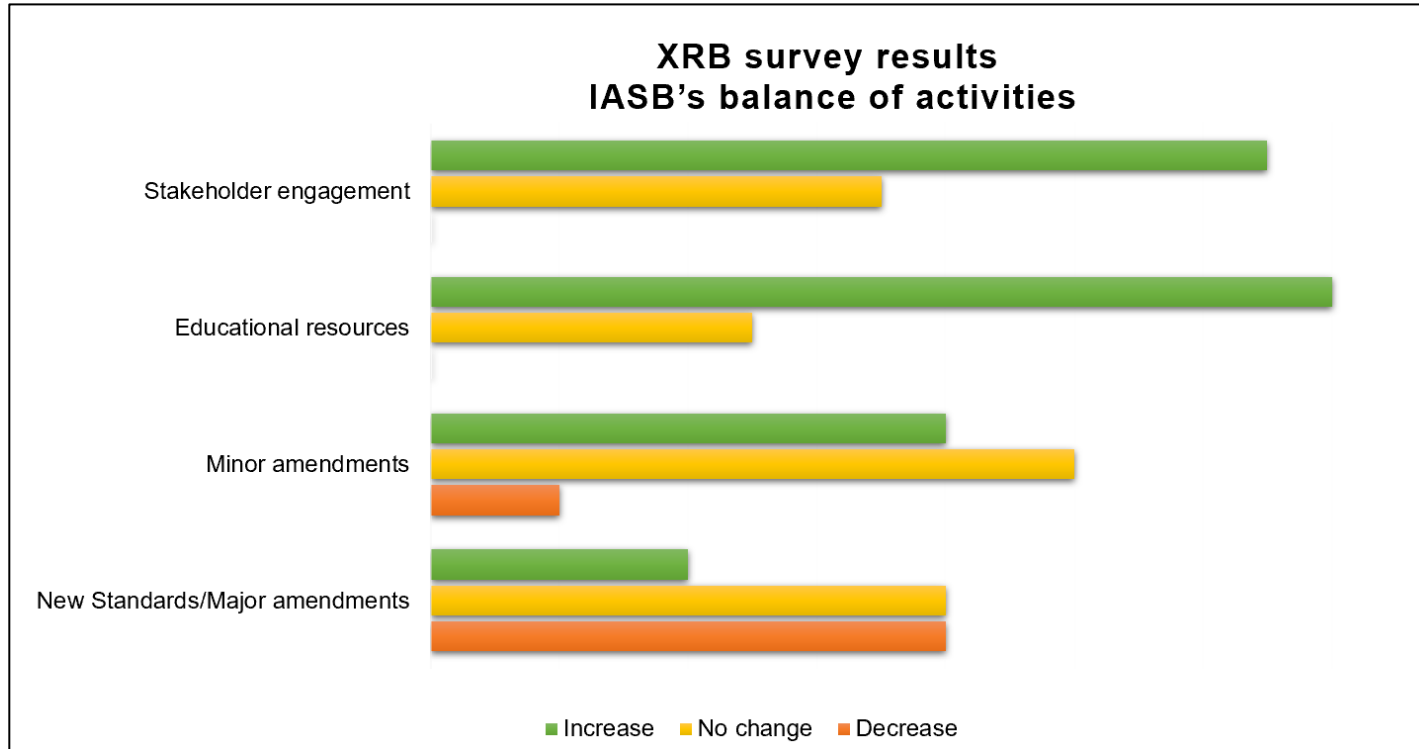
IASB's Third Agenda Consultation

Possible projects that could be added to IASB Work Plan

| Described projects | | | | |
|---|-----------------------|--|---|---|
| Borrowing costs | Climate-related risks | Commodity transactions | Cryptocurrencies and related transactions | Discontinued operations and disposal groups |
| Discount rates | Employee benefits | Expenses (Inventory and cost of sales) | Foreign currencies | Going concern |
| Government grants | Income taxes | Inflation | Intangible assets | Interim financial reporting |
| Negative interest rates | Operating segments | Other comprehensive income | Pollutant pricing mechanisms | Separate financial statements |
| Statement of cash flows and related matters | | | Variable and contingent consideration | |

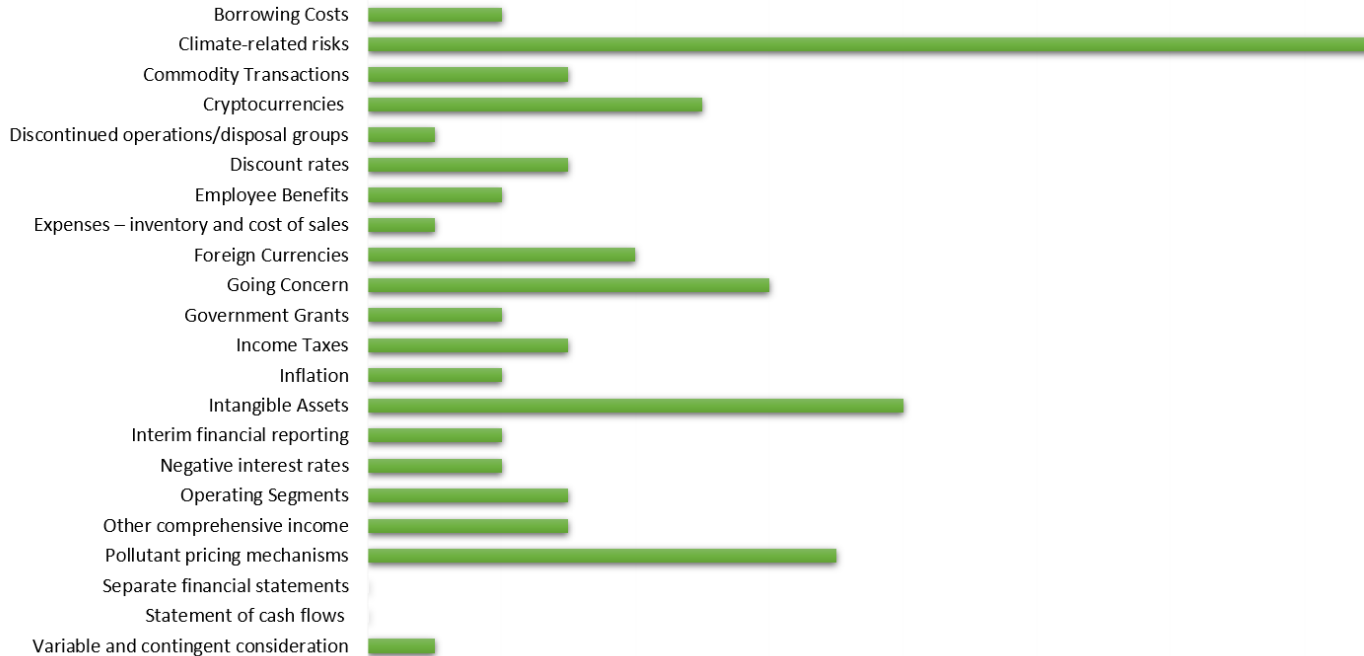


IASB's Third Agenda Consultation

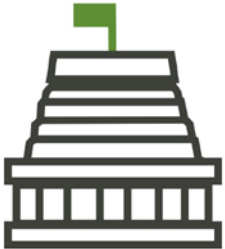


IASB's Third Agenda Consultation

XRB Survey results: Respondents high priority projects



Current significant Accounting Standards projects – Public Sector



IPSAB's consultations open for comment

Four Measurement related EDs issued

- **ED 76:** Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements
- **ED 77:** Measurement
- **ED 78:** Property, Plant and Equipment (amendments to IPSAS 17)
- **ED 79:** Non-current Assets Held for Sale and Discontinued Operations

Comments due to the NZASB by **2 September 2021**, IPSASB
by **25 October 2021**

ED 76 Conceptual Framework Update

Would change the measurement bases described in the Conceptual Framework

ED 77 Measurement

New standard on how to apply:

- Historical Cost
- Fair Value (based on IFRS 13)
- Current Operational Value (new approach)
- Cost of Fulfilment

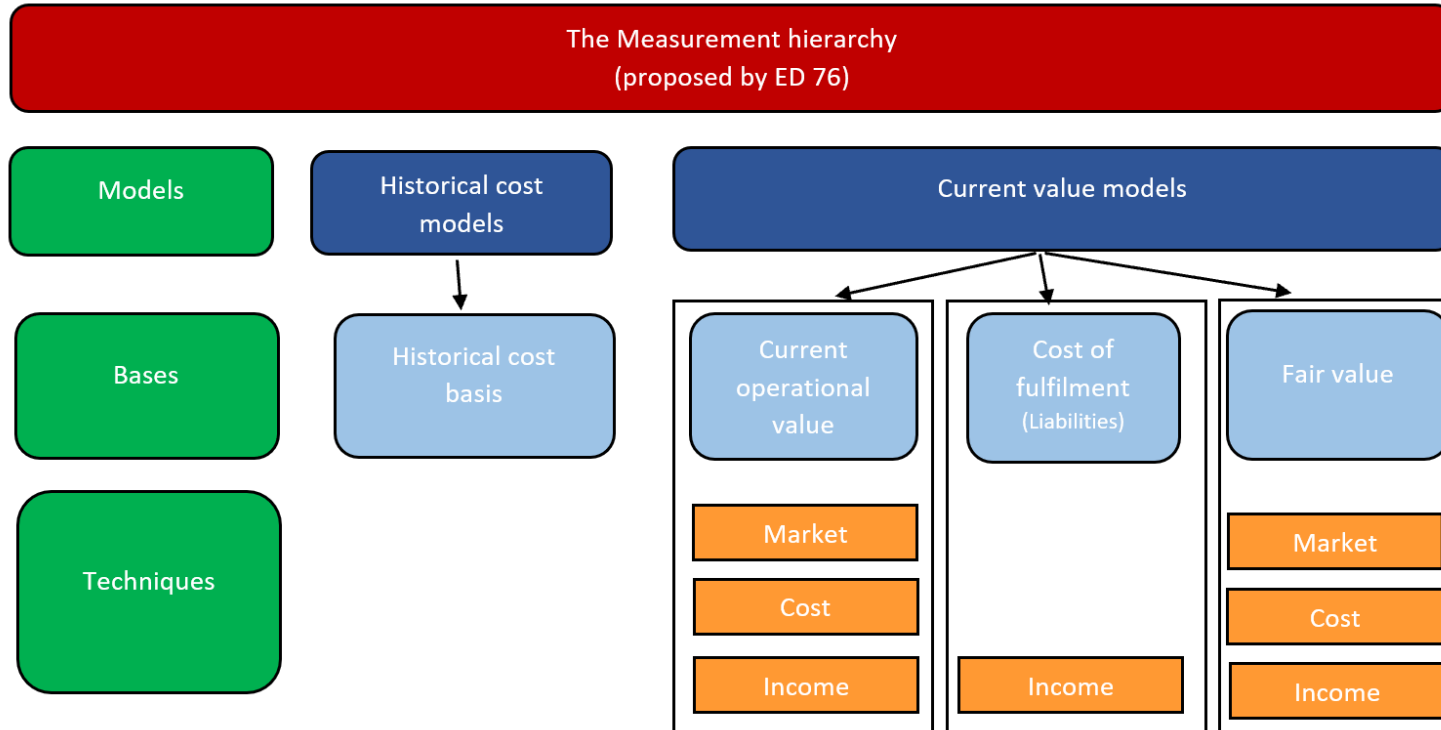
ED 78 Property, Plant and Equipment

Would revise IPSAS 17 PPE, revalued assets measured using **fair value** or **COV**

ED 79 Non-current Assets Held for Sale and Discontinued Operations

New standard based on IFRS 5

IPSASB Project on Measurement



IPSASB Project on Measurement – Current Operational Value

Definition in ED 76

Current operational value is the value of an asset used to achieve the entity's service delivery objectives at the measurement date.

ED 78 proposes

- COV – use to revalue PPE held for its operational capacity
- Fair value – use to revalue PPE held for its financial capacity

Alternative views on ED 76 and ED 77

- COV definition is not clear – should be based on cost of replacing service potential
- The income approach is not an appropriate technique to estimate COV

IPSASB Project on Measurement – Current Operational Value

Definition in ED 76

Current operational value is the value of an asset used to achieve the entity's service delivery objectives at the measurement date.

Alternative definition of COV

Current Operational Value is the cost to replace the service potential embodied in an asset at the measurement date.

Value could be a measure of the service potential provided by the asset. It could be a measure of the asset's current contribution to meeting the entity's objectives.

The definition should focus on the cost of replacing an asset used for its service potential

Current significant Accounting Standards projects – NFP Sector



Tier 3 and 4 PBE Standards – Post Implementation Review

- Beginning in September 2020 we undertook a Post Implementation Review of the Tier 3 and 4 PBE Standards.

| Tier | Criteria | Standards |
|------|---|---|
| 1 | <ul style="list-style-type: none"> “Public Accountability” or Total expenses > \$30m | Full PBE Standards |
| 2 | <ul style="list-style-type: none"> Total expenses ≤ \$30m | PBE Standards with disclosure concessions |
| 3 | <ul style="list-style-type: none"> Total expenses ≤ \$2m | PBE Simple Format Reporting – Accrual |
| 4 | <ul style="list-style-type: none"> Total expenses ≤ \$125k | PBE Simple Format Reporting - Cash |

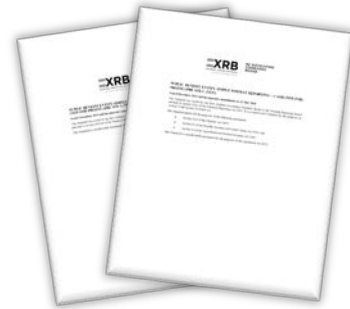
Tier 3 and 4 PBE Standards – Post Implementation Review

Development approach

- Single standard
- Less technical language
- Simple requirements
- Common transactions

Accompanying Resources

- Template performance reports
- Guidance notes



Tier 3 and 4 PBE Standards – Post Implementation Review

Objectives of the Post Implementation Review

1. Are the standards working as intended and achieving their objectives?
2. Have any new issues emerged since the standards were issued?
3. Do the benefits of applying the standards exceed the costs?

Received feedback from over 100 stakeholders

- 10 formal written submissions
- 20 face-to-face interviews
- 6 feedback forms
- 65 survey responses

Tier 3 and 4 PBE Standards – Post Implementation Review

In general, our stakeholders told us:

- The Standards are working well overall;
- There is a need to shorten and simplify the Tier 4 standard, guidance, and optional reporting templates;
- Some consider the XRB should take on a more educative role in relation to these Standards; and
- There is some concern about how well the Standards are currently working for Māori entities.





Tier 3 and 4 PBE Standards – Post Implementation Review

Key areas identified for further consideration include:

- Service performance reporting
- Asset valuation in the Tier 3 standard
- The minimum categories for presenting income and expenditure
- Revenue recognition in the Tier 3 Standard
- Accumulated funds and reserve reporting in the Tier 3 standard
- Understandability of the requirements for the statement of cash flows in the Tier 3 standard

Tier 3 and 4 PBE Standards – Post Implementation Review

Next steps:

- Developing feedback statement
- Considering standard setting options
 - To address general feedback
 - In response to specific issues
- Developing and refining guidance material
 - FAQs
 - Illustrative examples
- Improving the optional reporting templates
 - We have already issued a simplified Tier 4 reporting template



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Questions?



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