

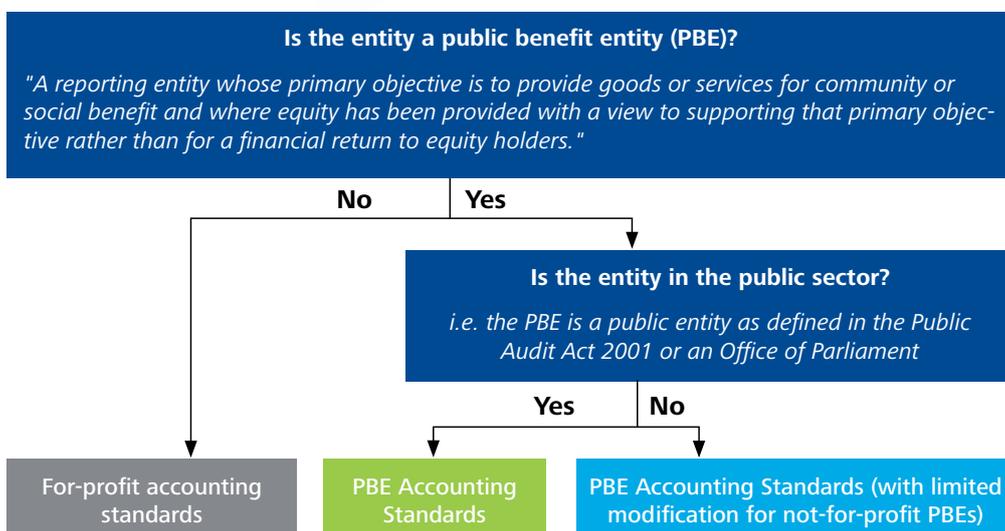
# Accounting Alert

## Quarterly update for Public Benefit Entities – What’s new in financial reporting for December 2015?



30 June 2015 was the first time the External Reporting Board’s (XRBs) new accounting framework for public benefit entities (PBEs) became mandatory – focusing first on public sector (PS) PBEs. The new framework is still optional for PBEs **not** in the public sector (referred to as not-for-profit (NFP) PBEs) – as it does not apply to NFP PBEs until periods beginning on or after 1 April 2015.

As PBEs have now started to apply accounting standards that have diverged somewhat from the for-profit equivalent standards, the quarterly update has been split into two separate publications depending on whether the entity is ‘for-profit’ or ‘public benefit’. The following flowchart summarises which suite of standards applies:



This alert provides a high level overview of the new and revised financial reporting requirements that need to be considered by PBEs using the new suite of PBE Accounting Standards for financial reporting periods ending on 30 June or 30 September 2015, and for annual and interim financial reporting periods ending on 31 December 2015. PBEs may be either PS PBEs or NFP PBEs.

As 30 June 2015 is the first balance date where PS PBEs will have to comply with the new accounting standards framework (known as PBE Accounting Standards), this alert contains a full list of the new standards applicable to PBEs. NFP PBEs do not have to adopt the new framework until periods beginning on or after 1 April 2015 so can continue to use the interim suite of NZ IFRS for PBEs which has largely frozen the amendments and new standards included in the NZ IFRS framework, or old NZ GAAP as appropriate in advance of moving to the PBE Accounting Standards.

The XRB’s website reflects the multiple sets of accounting standards that are available, so check you are using the right version. Links are provided below.

	PS PBEs	NFP PBEs
<b>‘Interim’ suite</b>	No longer applicable	Applies to periods beginning on or after 1 December 2012 and up to periods beginning on or before 31 March 2015  Link <a href="#">here</a>
<b>‘New’ suite</b>	Applies to periods beginning on or after 1 July 2014  Link <a href="#">here</a>	Applies to periods beginning on or after 1 April 2015  Link <a href="#">here</a>



## The new Accounting Standards Framework (XRB A1)

The Accounting Standards Framework is a two sector (for-profit and PBE), multi-tiered Framework. This approach has been adopted in order to meet the differing information needs of each sector's users of financial statements. The framework for PBEs is based on International Public Sector Accounting Standards (IPSAS).

The XRB issued XRB A1 *Accounting Standards Framework*, which has been regularly updated as phases of the Framework have been finalised. XRB A1 sets out the tiers for reporting, the standards that apply to each tier and the requirements for transitioning between tiers.

The Accounting Standards Framework for PBEs consists of the following suites of standards:

<b>Accounting Standards Framework for Public Benefit Entities</b>		
	<b>Public sector PBEs</b> <i>Applicable for annual periods beginning on or after 1 July 2014</i>	<b>Not-for-profit PBEs</b> <i>Applicable for annual periods beginning on or after 1 April 2015</i>
<b>Tier 1</b>	<b>PBE Standards (PS)</b> <ul style="list-style-type: none"> <li>– Public accountability<sup>1</sup>, or</li> <li>– Large (expenses<sup>2</sup> &gt; \$30m)</li> </ul>	<b>PBE Standards (NFP)</b> <ul style="list-style-type: none"> <li>– Public accountability<sup>1</sup>, or</li> <li>– Large (expenses<sup>2</sup> &gt; \$30m)</li> </ul>
<b>Tier 2</b>	<b>PBE Standards RDR (PS)</b> <ul style="list-style-type: none"> <li>– Non-publicly accountable and non-large</li> <li>– Elect to be in Tier 2</li> </ul>	<b>PBE Standards RDR (NFP)</b> <ul style="list-style-type: none"> <li>– Non-publicly accountable and non-large</li> <li>– Elect to be in Tier 2</li> </ul>
<b>Tier 3</b>	<b>Simple Format (Accrual) (PS)</b> <ul style="list-style-type: none"> <li>– Non-publicly accountable &amp; expenses<sup>2</sup> ≤ \$2 million</li> <li>– Elect to be in Tier 3</li> </ul>	<b>Simple Format (Accrual) (NFP)</b> <ul style="list-style-type: none"> <li>– Non-publicly accountable and expenses<sup>2</sup> ≤ \$2 million</li> <li>– Elect to be in Tier 3</li> </ul>
<b>Tier 4</b>	<b>Simple Format (Cash) (PS)</b> <ul style="list-style-type: none"> <li>– Entities allowed by law to use cash accounting</li> <li>– Elect to be in Tier 4</li> </ul>	<b>Simple Format (Cash) (NFP)</b> <ul style="list-style-type: none"> <li>– Entities allowed by law to use cash accounting</li> <li>– Elect to be in Tier 4</li> </ul>
	Non-GAAP standard	Non-GAAP standard

<sup>1</sup> Definition of 'public accountability':

Entities that meet the International Accounting Standards Board's (IASB) definition of public accountability:

- Entities that have debt or equity instruments that are traded, or that will be traded, in a public market,
- Entities that hold assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.

Entities deemed to be publicly accountable. An entity would be deemed to be publicly accountable in the New Zealand context if:

- It is a FMC reporting entity or a class of FMC reporting entities that is considered by the FMA to have a higher level of public accountability than other FMC reporting entities under section 461K of the Financial Markets Conduct Act 2013 (FMCA 2013), or
- It is an FMC reporting entity or class of FMC reporting entities that is considered by the FMA to have a higher level of public accountability by a notice issued by the Financial Markets Authority (FMA) under section 461L(1)(a) of the FMCA 2013, or
- It is an issuer under the transitional provisions of the Financial Reporting Act 2013.

For information on which entities the FMA has designated as having 'higher or lower public accountability' refer to the link:

<https://www.fma.govt.nz/compliance/exemptions/exemption-categories/financial-reporting-exemption-information/>

<sup>2</sup> 'Expenses' are the total expenses (including losses and grant expenses) recognised and measured in accordance with the relevant tier's standards.

## Legislative update

The above Framework applies when an entity is required to comply with GAAP or a non-GAAP standard. Requirements to comply with GAAP or a non-GAAP standard are specified in legislation but may be included in other arrangements (e.g. contracts).

The Financial Reporting Act 2013 ('FRA') and accompanying amendments to other Acts (such as the Companies Act 1993) came into force for periods beginning on or after 1 April 2014, with registered charities a year later. Entities will need to consider whether they have a statutory or other (e.g. contractual) requirement to prepare financial statements going forward and if so, which tier of reporting is applicable. Entities which don't have a statutory or contractual obligation may still need to comply with the Inland Revenue Department's prescribed minimum requirements.

## Summary of the PBE Accounting Standards

The table below sets out the new standards applicable to Tiers 1 – 4 (collectively known as ‘PBE Accounting Standards’). Tiers 1 and 2 use PBE Standards while Tiers 3 and 4 use Simple Format Reporting. The information below was updated on 4 December 2015 for developments to that date.

### PBE Standards

There are currently two versions of the PBE Standards on issue. The first version was issued in May 2013 and has an effective date of 1 July 2014. This version is applicable to PS PBEs only. In September 2014 an updated version of the PBE Standards was issued, effective 1 April 2015, containing NFP-specific guidance and examples.

The requirements in the two versions of PBE Standards are substantially the same, except with regard to:

- related party disclosures – NFPs are required to disclose all transactions with related parties, regardless of whether the transactions are conducted on an arm’s-length basis
- consolidated and separate financial statements – PS PBEs and NFP PBEs will apply different versions of PBE IPSAS 6 but the requirements are fundamentally the same.

The effective dates for PBE Standards are as follows:

- PS PBEs: Annual periods beginning on or after 1 July 2014.
- NFP PBEs: Annual periods beginning on or after 1 April 2015.

### Simple Format Reporting

The standards for Tiers 3 and 4 are designed to be simple and easy-to-use, with one standard for each tier. The Tier 3 standard is based on accrual accounting while Tier 4 is based on cash accounting. Financial statement templates (in Excel and PDF) are available on the XRB’s website.

### Transition to PBE Accounting Standards

Disclosure relating to first-time adoption of PBE Accounting Standards needs to be carefully considered. We have outlined some considerations in respect of the PBE Standards in Appendix A.

For those entities reporting under Simple Format Reporting standards there are no disclosure requirements relating to transition to PBE Accounting Standards, other than the requirement for new entities to disclose their date of commencement. Tier 3 entities are encouraged, but not required, to disclose separately the significant restatements made from previous GAAP.

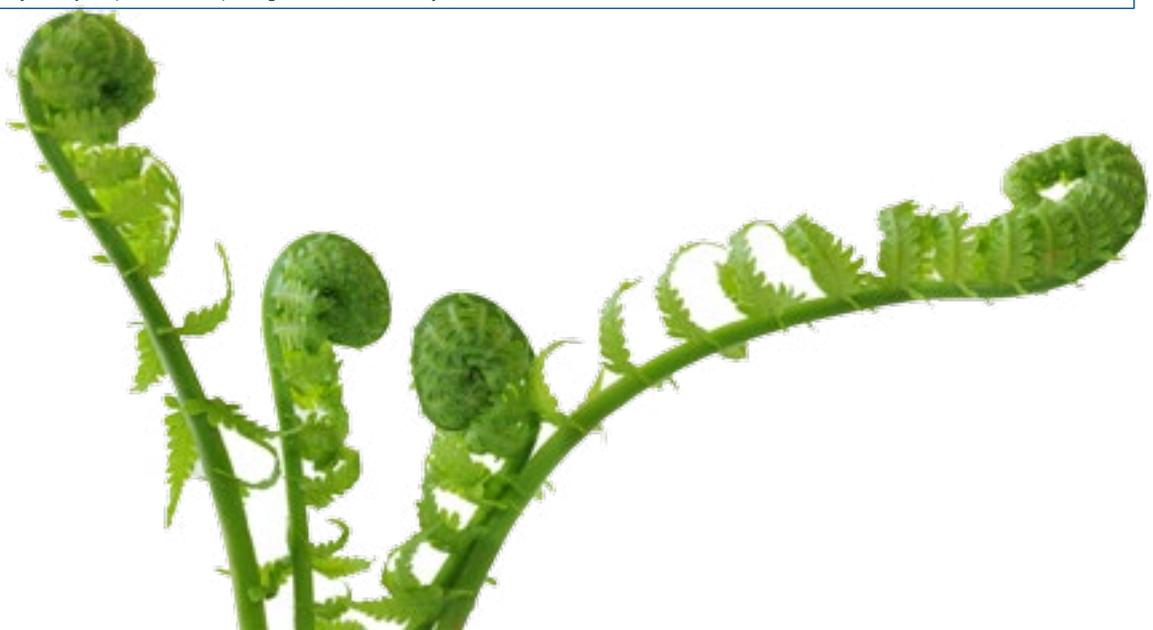
### PBE Accounting Standards on Issue

PBE Accounting Standards
<i>XRB A1 Accounting Standards Framework (For-profit Entities plus Public Sector Public Benefit Entities plus Not-for-profit Entities Update)</i>
<i>XRB A2 Meaning of Specified Statutory Size Thresholds</i>
<b>PBE Standards (Tier 1 and 2)</b>
<i>PBE IPSAS 1 Presentation of Financial Statements</i>
<i>PBE IPSAS 2 Cash Flow Statements</i>
<i>PBE IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors</i>
<i>PBE IPSAS 4 The Effects of Changes in Foreign Exchange Rates</i>
<i>PBE IPSAS 5 Borrowing Costs</i>
<i>PBE IPSAS 6 Consolidated and Separate Financial Statements<sup>1</sup></i>
<i>PBE IPSAS 7 Investments in Associates</i>
<i>PBE IPSAS 8 Interests in Joint Ventures</i>
<i>PBE IPSAS 9 Revenue from Exchange Transactions</i>

<sup>1</sup> There are currently 3 versions of this Standard on issue: PBE IPSAS 6 has an effective date of 1 July 2014 and is applicable to PS PBEs only. PBE IPSAS 6 (PS) and PBE IPSAS 6 (NFP) both have an effective date of 1 April 2015 and are applicable to PS PBEs and NFP PBEs respectively, with early adoption not permitted for PS PBEs.

PBE IPSAS 10 <i>Financial Reporting in Hyperinflationary Economies</i>
PBE IPSAS 11 <i>Construction Contracts</i>
PBE IPSAS 12 <i>Inventories</i>
PBE IPSAS 13 <i>Leases</i>
PBE IPSAS 14 <i>Events After the Reporting Date</i>
PBE IPSAS 16 <i>Investment Property</i>
PBE IPSAS 17 <i>Property, Plant and Equipment</i>
PBE IPSAS 19 <i>Provisions, Contingent Liabilities and Contingent Assets</i>
PBE IPSAS 20 <i>Related Party Disclosures</i>
PBE IPSAS 21 <i>Impairment of Non-Cash-Generating Assets</i>
PBE IPSAS 22 <i>Disclosure of Information About the General Government Sector<sup>2</sup></i>
PBE IPSAS 23 <i>Revenue from Non-Exchange Transactions</i>
PBE IPSAS 25 <i>Employee Benefits</i>
PBE IPSAS 26 <i>Impairment of Cash-Generating Assets</i>
PBE IPSAS 27 <i>Agriculture</i>
PBE IPSAS 28 <i>Financial Instruments: Presentation</i>
PBE IPSAS 29 <i>Financial Instruments: Recognition and Measurement</i>
PBE IPSAS 30 <i>Financial Instruments: Disclosures</i>
PBE IPSAS 31 <i>Intangible Assets</i>
PBE IPSAS 32 <i>Service Concession Arrangements: Grantor</i>
PBE IFRS 3 <i>Business Combinations</i>
PBE IFRS 4 <i>Insurance Contracts</i>
PBE IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>
PBE IAS 12 <i>Income Taxes</i>
PBE IAS 34 <i>Interim Financial Reporting</i>
PBE FRS 42 <i>Prospective Financial Statements</i>
PBE FRS 43 <i>Summary Financial Statements</i>
PBE FRS 45 <i>Service Concession Arrangements: Operator</i>
PBE FRS 46 <i>First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRSs</i>
PBE FRS 47 <i>First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRSs</i>
PBE Framework
<b>Tier 3 Standards</b>
PBE SFR-A (PS) <i>Public Benefit Entity Simple Format Reporting – Accrual (Public Sector)</i>
PBE SFR-A (NFP) <i>Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit)</i>
<b>Tier 4 Standards</b>
PBE SFR-C (PS) <i>Public Benefit Entity Simple Format Reporting – Cash (Public Sector)</i>
PBE SFR-C (NFP) <i>Public Benefit Entity Simple Format Reporting – Cash (Not-For-Profit)</i>

<sup>2</sup> Only applicable to PS PBEs



### Summary of amendments to PBE Accounting Standards

The tables below set out the recent new pronouncements for PS PBEs and NFP PBEs respectively, and whether they are optional or mandatory for the financial year ending 30 June or 30 September 2015 and the financial year or interim period ending 31 December 2015. Further information on each pronouncement can be found in the next section.

An NFP PBE may only early adopt an amendment when the entity has early adopted PBE Accounting Standards.

New Pronouncement	Effective date	Year ending						Interim ending	
		Jun 2015		Sep 2015		Dec 2015		Dec 2015	
		PS	NFP	PS	NFP	PS	NFP	PS	NFP
<i>XRB A1 Accounting Standards Framework (For-profit Entities plus Public Sector Public Benefit Entities plus Not-for-profit Entities minus For-profit Tier 3 and Tier 4 Update)</i>	1 April 2015	NP	O	NP	O	NP	O	M	M
<i>Amendments to XRB A2 Meaning of Specified Statutory Size Thresholds (Charities Amendment Act 2014)</i>	1 April 2015	NP	NP	NP	NP	NP	NP	M	M
<b>PBE Standards (Tiers 1 and 2)</b>									
<i>Disclosure Initiative (Amendments to PBE IPSAS 1)</i>	1 Jan 2016	NP	O	NP	O	NP	O	NP	O
<i>2015 Omnibus Amendments to PBE Standards</i>	1 Jan 2016	NP	O	NP	O	NP	O	NP	O
<b>Simple Format Reporting (Tiers 3 and 4)</b>									
<i>Interests in Other Entities (Amendments to PBE SFR-A (PS))</i>	1 July 2014	M		M		M		M	
<i>Interests in Other Entities (Amendments to PBE SFR-A (NFP))</i>	1 April 2015		O		O		O		M

**Key**

O Optional      M Mandatory – first time      NP Early adoption not permitted



## Impact of each new and revised pronouncement

The following tables set out information on the impact of the recent new pronouncements (see key on page 6).

New Pronouncement	Effective date	Year ending						Interim ending	
		Jun 2015		Sep 2015		Dec 2015		Dec 2015	
		PS	NFP	PS	NFP	PS	NFP	PS	NFP
<b>XRB A1 Accounting Standards Framework (For-profit Entities plus Public Sector Public Benefit Entities plus Not-for-profit Entities minus For-profit Tier 3 and Tier 4 Update)</b>	1 April 2015	NP	O	NP	O	NP	O	M	M
An updated XRB A1 was issued in March 2015, with Tiers 3 and 4 for for-profit entities removed. The updated XRB A1 is effective for annual reporting periods beginning on or after 1 April 2015.									
<b>Amendments to XRB A2 Meaning of Specified Statutory Size Thresholds (Charities Amendment Act 2014)</b>	1 April 2015	NP	NP	NP	NP	NP	NP	M	M
<p>XRB A2 sets out the meaning of certain specified terms referred to in legislation for the purpose of determining specified statutory size thresholds. These thresholds are used to determine financial reporting requirements under various Acts.</p> <p>The Charities Act 2005 sets out requirements for registered charities to be audited or reviewed based on certain size thresholds (i.e. whether the entity is “large” or “medium-sized”). The basis for determining the size threshold is the total operating expenditure of the entity and all entities it controls.</p> <p>The amendments to XRB A2 set out the meaning of the terms “total operating expenditure” and “control” for the purpose of determining the size thresholds</p> <p>The amendments apply to annual periods beginning on or after 1 April 2015. Early application is not permitted.</p>									
<b>PBE Standards (Tiers 1 and 2)</b>									
<b>Disclosure Initiative (Amendments to PBE IPSAS 1)</b>	1 Jan 2016	NP	O	NP	O	NP	O	NP	O
<p>These amendments have been issued as part of a project to improve presentation and disclosure requirements and:</p> <ul style="list-style-type: none"> <li>clarify that an entity should not obscure useful information by aggregating or disaggregating information; and that materiality considerations apply to the primary statements, notes and any specific disclosure requirements in PBE Standards</li> <li>clarify that the list of line items specified by PBE IPSAS 1 for the statement of financial position and statement of comprehensive revenue and expense can be disaggregated and aggregated as relevant. Additional guidance has also been added on the presentation of subtotals in these statements</li> <li>clarify that an entity’s share of other comprehensive revenue and expense of equity-accounted associates and joint ventures should be presented in aggregate.</li> <li>clarify that entities have flexibility when designing the structure of the notes and provide guidance on how to determine a systematic order of the notes.</li> </ul> <p>Consequential amendments were also made to PBE IPSAS 30 and PBE IAS 34.</p> <p>The amendments apply to annual periods beginning on or after 1 January 2016, with early application permitted for NFPs. PS PBEs may apply the amendments early from periods beginning 1 April 2015.</p>									

New Pronouncement	Effective date	Year ending						Interim ending	
		Jun 2015		Sep 2015		Dec 2015		Dec 2015	
		PS	NFP	PS	NFP	PS	NFP	PS	NFP
<b>2015 Omnibus Amendments to PBE Standards</b>	1 Jan 2016	NP	O	NP	O	NP	O	NP	O
<p>The omnibus amendments fall into two categories:</p> <ul style="list-style-type: none"> <li>Amendments to align PBE Standards with NZ IFRS as a consequence of the IASB's Annual Improvements to IFRS. The following Standards are affected: <ul style="list-style-type: none"> <li>PBE IPSAS 16</li> <li>PBE IPSAS 20</li> <li>PBE IFRS 3</li> <li>PBE IFRS 5</li> <li>PBE IAS 34</li> </ul> </li> <li>Amendments to align PBE Standards with IPSASs as a consequence of the IPSASB's <i>Improvements to IPSASs 2014</i>. The following Standards are affected: <ul style="list-style-type: none"> <li>PBE IPSAS 1</li> <li>PBE IPSAS 17</li> <li>PBE IPSAS 28</li> <li>PBE IPSAS 31</li> </ul> </li> </ul> <p>Minor editorial corrections were also made.</p> <p>A list of all the topics covered is included in Appendix B. Entities will need to review each individual amendment to identify if any are relevant.</p> <p>The amendments apply to annual periods beginning on or after 1 January 2016, with early application permitted for NFPs. PS PBEs may apply the amendments early from periods beginning 1 April 2015.</p>									
<b>Simple Format Reporting (Tiers 3 and 4)</b>									
<b>Interests in Other Entities (Amendments to PBE SFR-A (PS))</b>	1 July 2014	M		M		M		M	
<p>These amendments require a Tier 3 PS PBE to account for controlled entities, interests in associates and joint ventures in accordance with the relevant Tier 2 PBE Standards. Any RDR concessions available to Tier 2 entities are available to Tier 3 PS PBEs. The amendments also clarify that any interest in an entity which is not a controlled entity, associate or joint venture should be accounted for in accordance with Section 6 of PBE SFR-A (PS).</p>									
<b>Interests in Other Entities (Amendments to PBE SFR-A (NFP))</b>	1 April 2015		O		O		O		M
<p>These amendments require a Tier 3 NFP PBE to account for controlled entities, interests in associates and joint ventures in accordance with the relevant Tier 2 PBE Standards. Any RDR concessions available to Tier 2 entities are available to Tier 3 NFP PBEs. The amendments also clarify that any interest in an entity which is not a controlled entity, associate or joint venture should be accounted for in accordance with Section 6 of PBE SFR-A (NFP).</p>									

## Appendix A – Shedding light on the disclosures required upon first-time adoption of PBE Standards

PBE Standards (i.e. the standards for Tier 1 and 2 PBEs) require disclosures in relation to first-time adoption of PBE Standards. The disclosure requirements surrounding transition to PBE Standards are specified by:

- for those entities who previously applied NZ IFRS – PBE FRS 46 *First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRSs*
- for those entities who did not previously apply NZ IFRS – PBE FRS 47 *First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRSs*.

Entities reporting under PBE Standards RDR (Tier 2 entities) are permitted exemptions from certain disclosures as noted below.

### What disclosures are required?

Item of disclosure	Summary of disclosures required	
	PBE FRS 46	PBE FRS 47
<b>Opening statement of financial position</b>	<p>To be prepared at the date of transition.</p> <p>Presentation of the opening statement of financial position is not required; however, if there are adjustments which materially affect any financial statement line items at the date of transition then these line items would have to be disclosed.</p>	<p>To be prepared and presented at the date of transition (presentation may be in the notes).</p> <p><i>Tier 2 entities do not need to present the opening statement of financial position.</i></p>
<b>Comparative information</b>	<p>All comparative information that is required by PBE Standards must be disclosed (including a comparative cash flow statement even if an entity had previously applied differential reporting concessions).</p> <p>PBE IPSAS 1 <i>Presentation of Financial Statements</i> applies where the presentation or classification of an item changes as a result of first-time adoption of PBE Standards. Therefore, the following would be disclosed:</p> <ul style="list-style-type: none"> <li>• The nature of the reclassification;</li> <li>• The amount of each item or class of items this is reclassified; and</li> <li>• The reason for the reclassification (i.e. first-time adoption of PBE Standards).</li> </ul> <p>Where reclassification is impracticable the reason for not reclassifying and the nature of the adjustments that would have been made must be disclosed.</p> <p>If comparative information is presented in addition to the information required by PBE IPSAS 1, and the comparative information is prepared in accordance with NZ IFRS:</p> <ul style="list-style-type: none"> <li>• Identify the NZ IFRS information as not being prepared in accordance with PBE Standards</li> <li>• Disclose the <u>nature</u> of the main adjustments that would need to be made to make the information comply with PBE Standards.</li> </ul>	<p>All comparative information that is required by PBE Standards must be disclosed (including a comparative cash flow statement even if an entity had previously applied differential reporting concessions).</p> <p><i>Tier 2 NFP PBEs do not need to present comparative information in the first set of financial statements under PBE Standards (although an opening statement of financial position would be required). If a tier 2 NFP PBE decides not to present comparative information then it must attach a copy of the prior year's financial statements and provide explanations (in the notes) of the significant differences between the accounting policies used.</i></p> <p>If comparative information is presented in addition to the information required by PBE IPSAS 1, and the comparative information is prepared in accordance with previous GAAP:</p> <ul style="list-style-type: none"> <li>• Identify the NZ IFRS information as not being prepared in accordance with PBE Standards; and</li> <li>• Disclose the <u>nature</u> of the main adjustments that would need to be made to make the information comply with PBE Standards.</li> </ul>
<b>Historical summaries not prepared in accordance with PBE Standards</b>	<p>Same requirements as for additional comparative information presented (see above).</p>	<p>Same requirements as for additional comparative information presented (see above).</p>

Item of disclosure	Summary of disclosures required	
	PBE FRS 46	PBE FRS 47
<b>Reconciliations</b>	Not required	<p>The following reconciliations between previous GAAP and PBE Standards should be disclosed:</p> <ul style="list-style-type: none"> <li>• Net assets/equity (at the date of transition and the end of the latest period presented under previous GAAP); and</li> <li>• Total comprehensive revenue and expense (with the starting point being total comprehensive revenue and expense under previous GAAP for the latest period presented).</li> </ul> <p>These reconciliations should be detailed enough for users to understand the material adjustments made to the statement of financial position and statement of comprehensive revenue and expense.</p> <p>Material adjustments to the cash flow statement should also be disclosed where a cash flow statement was previously presented under previous GAAP.</p> <p>The reconciliations need to differentiate between any correction of errors and changes in accounting policies.</p> <p>The reconciliations should be updated where changes in accounting policies, or changes in the use of exemptions contained in PBE FRS 47 are made in the first set of PBE Standards-compliant financial statements.</p> <p><i>Tier 2 entities do not need to explain how the transition from previous GAAP to PBE Standards affected their reported financial position, statement of comprehensive revenue and expense and cash flows, and do not need to present the reconciliation relating to total comprehensive revenue and expense.</i></p>
<b>General disclosure</b>	<ul style="list-style-type: none"> <li>• Include a statement that the financial statements are the first financial statements presented in accordance with PBE Standards.</li> <li>• For each financial statement line item materially affected at the date of adoption, disclose the nature and amount of the adjustment.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide an explanation of how the transition from previous GAAP to PBE Standards affected the financial position, financial performance and cash flows of the entity.</li> </ul> <p><i>Note that explanations of this type are required for changes made between the first interim financial report under PBE Standards and the first financial statements under PBE Standards where there have been changes in accounting policies or changes in the use of exemptions contained in PBE FRS 47 in the first set of financial statements under PBE Standards.</i></p> <ul style="list-style-type: none"> <li>• Any first-time impairment losses or reversals made in the opening statement of financial position should be disclosed in accordance with PBE IPSAS 21 <i>Impairment of Non-Cash-Generating Assets</i> and PBE IPSAS 26 <i>Impairment of Cash-Generating Assets</i>.</li> <li>• Disclose the fact that no financial statements were presented in previous periods, if applicable.</li> </ul> <p><i>Tier 2 entities only need to disclose that there were no financial statements presented in previous periods, if applicable.</i></p>
<b>Interim financial reports</b>	Some of the above disclosures are required in an entity's first interim financial report under PBE Standards.	

Our PBE disclosure checklist (which includes the disclosure requirements on first-time adoption of PBE Standards) can be found [here](#).

A number of other disclosures are required if the entity uses any exemptions contained in PBE FRS 47.

## Appendix B – 2015 Omnibus Amendments to PBE Standards

This appendix includes a list of the Standards affected and subject matters of the amendments passed in the *2015 Omnibus Amendments to PBE Standards*:

PBE Standard	Subject of amendment
PBE IPSAS 16 <i>Investment Property</i>	The amendment clarifies that PBE IPSAS 16 and PBE IFRS 3 are not mutually exclusive and application of both Standards may be required.
PBE IPSAS 20 <i>Related Party Disclosures</i>	Clarifies that an entity providing key management personnel services to the reporting entity or to the controlling entity of the reporting entity is a related party of the reporting entity. The amendments also require disclosure of amounts incurred in respect of key management personnel services provided by a separate management entity.
PBE IFRS 3 <i>Business Combinations</i> (consequential amendments made to PBE IPSAS 29 and PBE IPSAS 19)	Clarifies that contingent consideration that is classified as an asset or a liability, whether financial or non-financial, should be measured at fair value at each reporting date. Changes in fair value (other than measurement period adjustments) should be recognised in surplus or deficit.
PBE IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	When an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued: <ul style="list-style-type: none"> <li>• such reclassifications are not considered changes to a plan of sale or a plan of distribution to owners. The classification, presentation and measurement requirements applicable to the new method of disposal should be applied; and</li> <li>• assets that no longer meet the criteria for held for distribution to owners (and do not meet the criteria for held for sale) are treated in the same way as assets that cease to be classified as held for sale.</li> </ul>
PBE IAS 34 <i>Interim Financial Reporting</i>	The amendments require that information required by PBE IAS 34 that is presented elsewhere, outside the interim financial statements, is incorporated by way of a cross-reference from the interim financial statements to the other statement (e.g. management commentary) and that the other statement is to be made available to users on the same terms and at the same time as the interim financial statements.
PBE IPSAS 1 <i>Presentation of Financial Statements</i> (consequential amendments made to PBE IAS 34 and PBE FRS 47)	Clarifies that additional comparative information is not necessary for periods beyond the minimum comparative financial statement requirements of PBE IPSAS 1.
PBE IPSAS 17 <i>Property, Plant and Equipment</i>	Clarifies the following: <ul style="list-style-type: none"> <li>• spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in PBE IPSAS 17 and as inventory otherwise.</li> <li>• on revaluation the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset (e.g. proportionately) and that accumulated depreciation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses, or accumulated depreciation is eliminated against the gross carrying amount.</li> <li>• a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment</li> </ul> The amendments also add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits or service potential embodied in the asset.
PBE IPSAS 28 <i>Financial Instruments: Presentation</i>	Clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with PBE IAS 12 <i>Income Taxes</i> .
PBE IPSAS 31 <i>Intangible Assets</i>	Clarifies that: <ul style="list-style-type: none"> <li>• there is a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits or service potential of the intangible asset are highly correlated; and</li> <li>• on revaluation the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset (e.g. proportionately) and that accumulated amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses, or accumulated amortisation is eliminated against the gross carrying amount.</li> </ul> The amendments also add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits or service potential embodied in the asset.

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