

## Accounting Alert

### **Quarterly update – Public Benefit Entities**

What's new in financial reporting for March 2017?

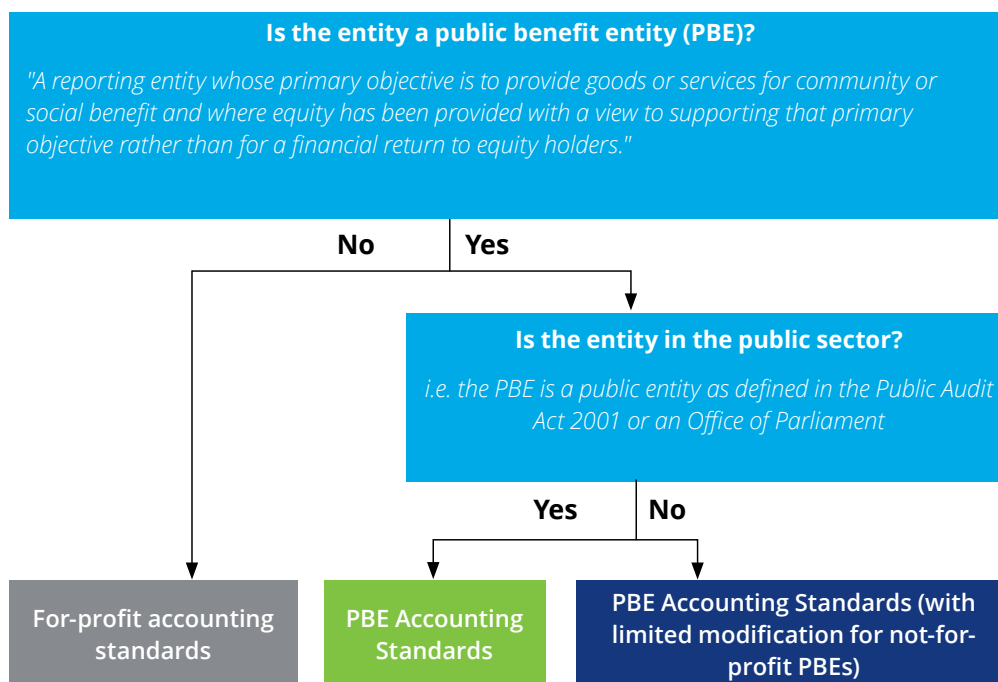
This quarterly update provides a high level overview of the new and revised financial reporting requirements that need to be considered by public benefit entities (PBEs) using the new suite of PBE Accounting Standards for annual and interim financial reporting periods ending on 31 March 2017. Information is also included for December 2016 year ends for entities which are still finalising their financial statements. We have included links to relevant Deloitte publications which provide further detail, where appropriate.



Entities will need to assess whether they are a PBE or a for-profit entity. Further guidance on determining this is included in Appendix A of XRB A1 *Application of the Accounting Standards Framework* (XRB A1). Some subsidiaries of PBEs may be for-profit entities. These entities should refer to our quarterly alert for for-profit entities [here](#).

PBEs may be either public sector (PS) PBEs or not-for-profit (NFP) PBEs.

The following flowchart summarises which suite of standards applies:



### Financial reporting standards update

The annual period beginning 1 April 2015 was the first time that the External Reporting Board's (XRB's) new accounting framework for NFP PBEs became mandatory. Therefore, for balance dates from 31 March 2016 onwards this new framework is applicable to all registered charities (and some other entity types, for example, certain friendly societies) which have a legislative requirement to prepare NZ GAAP-compliant financial statements and which are PBEs as defined in accordance with XRB A1. NFP PBEs will need to determine the tier of reporting that applies to them (see below) and apply the relevant PBE Standards.

PS PBEs have been applying PBE Standards for periods beginning on or after 1 July 2014. For periods ending 31 December 2016 and 31 March 2017 new versions of the PBE Standards are applicable for PS PBEs. These are the same Standards as the ones applicable for NFP PBEs, except that PS PBEs will apply PBE IPSAS 6 (PS) *Consolidated and Separate Financial Statements* while NFP PBEs will apply PBE IPSAS 6 (NFP). The new version of PBE IPSAS 20 *Related Party Disclosures* contains separate requirements for PS PBEs (which are unchanged) and for NFP PBEs – these are clearly indicated in the Standard. Some Standards, such as PBE IPSAS 23 *Revenue from Non-Exchange Contracts*, contain guidance specific to NFP PBEs.

This alert contains a full list of the new standards applicable to PBEs.

There are several new financial reporting amendments applicable for periods ending 31 March 2017. All entities will need to assess the impact of these amendments and ensure that relevant policies and functionalities are in place to implement and comply with the changes.

There are also a number of new Standards and amendments which entities may wish to consider for early adoption.

For those entities transitioning to PBE Standards it may be useful to refer to our PBE FAQ publication, which discusses some of the key differences between NZ IFRS and PBE Standards, and NZ IFRS PBE and PBE Standards. Click [here](#) to access this publication.

The information below was updated on 13 March 2017 for developments to that date.

## 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 *Application of the 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:

### Accounting Standards Framework for Public Benefit Entities

	Public sector PBEs	Not-for-profit PBEs
<b>Tier 1</b>	<b>PBE Standards</b> Public accountability <sup>1</sup> , or Large (expenses <sup>2</sup> > \$30m)	<b>PBE Standards</b> Public accountability <sup>1</sup> , or Large (expenses <sup>2</sup> > \$30m)
<b>Tier 2</b>	<b>PBE Standards RDR</b> Non-publicly accountable and non-large Elect to be in Tier 2	<b>PBE Standards RDR</b> Non-publicly accountable and non-large Elect to be in Tier 2
<b>Tier 3</b>	<b>Simple Format (Accrual) (PS)</b> Non-publicly accountable & expenses <sup>2</sup> ≤ \$2 million Elect to be in Tier 3	<b>Simple Format (Accrual) (NFP)</b> Non-publicly accountable and expenses <sup>2</sup> ≤ \$2 million Elect to be in Tier 3
<b>Tier 4</b>	<b>Simple Format (Cash) (PS)</b> Entities allowed by law to use cash accounting Elect to be in Tier 4 Non-GAAP standard	<b>Simple Format (Cash) (NFP)</b> Entities allowed by law to use cash accounting Elect to be in Tier 4 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; or
  - 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 an 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.

The above Framework applies when an entity is required to comply with NZ 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 XRB's website reflects the multiple sets of accounting standards that are available, so check you are using the right version. You can find the PS PBE standards [here](#) and the NFP PBE standards [here](#).

You may also find our framework publication, 'The New Zealand financial reporting landscape' useful. This publication provides a summary of the legislative and accounting standards requirements for New Zealand entities and is available [here](#).

## 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.

### PBE Standards

The requirements for PS PBEs and NFP PBEs in the PBE Standards are similar, except with regard to:

- related party disclosures – NFP PBEs are required to disclose all transactions with related parties, regardless of whether the transactions are conducted on an arm's-length basis, whereas PS PBEs have a number of concessions; and
- consolidated and separate financial statements – PS PBEs and NFP PBEs will apply different versions of PBE IPSAS 6 but the requirements are similar.

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 PS and NFP Standards for Tiers 3 and 4 are designed to be simpler 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 PS or NFP Simple Format Reporting standards (i.e. Tier 3 or Tier 4) 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

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#### PBE Accounting Standards

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*XRBA1 Application of the Accounting Standards Framework*

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*XRBA2 Meaning of Specified Statutory Size Thresholds*

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#### PBE Standards (Tier 1 and 2)

*PBE IPSAS 1 Presentation of Financial Statements*

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*PBE IPSAS 2 Cash Flow Statements*

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*PBE IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors*

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*PBE IPSAS 4 The Effects of Changes in Foreign Exchange Rates*

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*PBE IPSAS 5 Borrowing Costs*

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*PBE IPSAS 6 Consolidated and Separate Financial Statements<sup>3</sup>*

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*PBE IPSAS 7 Investments in Associates*

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*PBE IPSAS 8 Interests in Joint Ventures*

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*PBE IPSAS 9 Revenue from Exchange Transactions*

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*PBE IPSAS 10 Financial Reporting in Hyperinflationary Economies*

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*PBE IPSAS 11 Construction Contracts*

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*PBE IPSAS 12 Inventories*

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*PBE IPSAS 13 Leases*

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*PBE IPSAS 14 Events After the Reporting Date*

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*PBE IPSAS 16 Investment Property*

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<sup>3</sup> There are currently 2 versions of this Standard on issue: 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.

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>4</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 IPSAS 34 <i>Separate Financial Statements</i>
PBE IPSAS 35 <i>Consolidated Financial Statements</i>
PBE IPSAS 36 <i>Investments in Associates and Joint Ventures</i>
PBE IPSAS 37 <i>Joint Arrangements</i>
PBE IPSAS 38 <i>Disclosure of Interests in Other Entities</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 IFRS 9 <i>Financial Instruments</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>

For a useful summary of each PBE Standard refer to our 'PBE Standards in your pocket' publication, available [here](#).

<sup>4</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 31 December 2016 and the financial year or interim period ending 31 March 2017. Further information on each pronouncement can be found in the next section.

New Pronouncement	Effective date*	Year ending				Interim ending	
		Dec 2016		Mar 2017		Mar 2017	
		PS	NFP	PS	NFP	PS	NFP
<b>XRBA1</b> <i>Application of the Accounting Standards Framework</i>		Several updates made – refer to page 7					
<i>Amendments to XRBA2 Meaning of Specified Statutory Size Thresholds (Charities Amendment Act 2014)</i>	1 Apr 2015		M		M <sup>2</sup>		M <sup>2</sup>
<b>PBE Standards (Tiers 1 and 2)</b>							
<i>Disclosure Initiative (Amendments to PBE IPSAS 1)</i>	1 Jan 2016	M	M	M	M	M	M
<i>2015 Omnibus Amendments to PBE Standards</i>	1 Jan 2016	M	M	M	M	M	M
<i>Amendments to PBE Standards and Authoritative Notice as a Consequence of XRBA1 and Other Amendments</i>	1 Jan 2016	M	M	M	M	M	M
<i>Donated Goods (Amendments to PBE IPSAS 23)</i>	1 Jan 2016	M	M	M	M	M	M
<i>2016 Omnibus Amendments to PBE Standards</i>		Refer to page 9 for more detail					
<b>PBE IPSAS 34</b> <i>Separate Financial Statements</i>	1 Jan 2019	O	O	O	O	O	O
<b>PBE IPSAS 35</b> <i>Consolidated Financial Statements</i>	1 Jan 2019	O	O	O	O	O	O
<b>PBE IPSAS 36</b> <i>Investments in Associates and Joint Ventures</i>	1 Jan 2019	O	O	O	O	O	O
<b>PBE IPSAS 37</b> <i>Joint Arrangements</i>	1 Jan 2019	O	O	O	O	O	O
<b>PBE IPSAS 38</b> <i>Disclosure of Interests in Other Entities</i>	1 Jan 2019	O	O	O	O	O	O
<b>PBE IFRS 9</b> <i>Financial Instruments</i>	1 Jan 2021	O	O	O	O	O	O
<b>Simple Format Reporting (Tiers 3 and 4)</b>							
<b>Interests in Other Entities</b> ( <i>Amendments to PBE SFR-A (NFP)</i> )	1 Apr 2015		M		M <sup>2</sup>		M <sup>2</sup>
<i>Amendments to Simple Format Reporting Requirements as a Consequence of XRBA1</i>	1 Jan 2016	O	O	M	M	M	M

### Key

O Optional

M Mandatory – first time

M<sup>2</sup> – Mandatory in a previous period

\* Annual reporting periods beginning on or after



## 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	
		Dec 2016		Mar 2017		Mar 2017	
		PS	NFP	PS	NFP	PS	NFP
<b>XRBA1 Application of the Accounting Standards Framework</b>	Various updates with different effective dates						
In December 2015 the new (and final) versions of the Accounting Standards Framework and XRBA1 were issued, which include updated descriptions, clarifications and the removal of redundant requirements and duplications. No substantive changes were made to the Framework. The latest XRBA1 is effective for annual reporting periods beginning on or after 1 January 2016 (with early application permitted for annual reporting periods beginning on or after 1 April 2015).	<p style="text-align: center;"><b>The New Zealand financial reporting landscape</b></p> <p style="text-align: center;"><b>Frequently asked questions</b></p>						
<b>Amendments to XRBA2 Meaning of Specified Statutory Size Thresholds (Charities Amendment Act 2014)</b>	1 Apr 2015		M		M <sup>2</sup>		M <sup>2</sup>
<p>XRBA2 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 XRBA2 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	M	M	M	M	M	M
<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; and</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	
		Dec 2016		Mar 2017		Mar 2017	
		PS	NFP	PS	NFP	PS	NFP
<b>2015 Omnibus Amendments to PBE Standards</b>	1 Jan 2016	M	M	M	M	M	M
<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 <i>Annual Improvements to IFRS</i>. 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>Amendments to PBE Standards and Authoritative Notice as a Consequence of XRB A1 and Other Amendments</b>	1 Jan 2016	M	M	M	M	M	M
<p>These amendments consist of the following:</p> <ul style="list-style-type: none"> <li>generic amendments arising as a result of the updated XRB A1 (e.g. changing the name of XRB A1 in various standards); and</li> <li>other amendments, which include clarification in PBE FRS 46 and PBE FRS 47 relating to the basis of preparation of financial statements by Tier 1 and Tier 2 PBEs.</li> </ul> <p>The amendments apply to annual periods beginning on or after 1 January 2016, with early application permitted for annual periods beginning on or after 1 April 2015.</p>							
<b>Donated Goods (Amendments to PBE IPSAS 23)</b>	1 Jan 2016	M	M	M	M	M	M
<p>These amendments provide relief for entities with respect to donated goods in-kind that meet the definition of inventories in PBE IPSAS 12 and where it is not practicable to measure reliably the fair value of those goods at the date of acquisition. These goods would not be recognised at that date. Subsequent to the date of acquisition the following accounting treatment must be applied:</p> <ul style="list-style-type: none"> <li>for goods in-kind that are sold – revenue will be recognised at the date of sale; and</li> <li>for goods in-kind that are distributed free of charge – revenue will not be recognised.</li> </ul> <p>The amendments apply to annual periods beginning on or after 1 January 2016, with early application permitted.</p>							



New Pronouncement	Effective date*	Year ending				Interim ending	
		Dec 2016		Mar 2017		Mar 2017	
		PS	NFP	PS	NFP	PS	NFP
<b>2016 Omnibus Amendments to PBE Standards</b>	Different effective dates depending on the specific amendment						
<p>The omnibus amendments fall into three categories:</p> <ul style="list-style-type: none"> <li>• amendments arising from Chapters 1-4 of the <i>PBE Conceptual Framework</i>;</li> <li>• amendments arising from <i>Improvements to IPSASs 2015</i>; and</li> <li>• amendments arising from some IASB amendments.</li> </ul> <p>Minor editorial corrections were also made.</p> <p>The <i>PBE Conceptual Framework</i> was issued in May 2016. Chapters 1-4 address the role and authority of a conceptual framework, the objectives of general purpose financial reporting, users of general purpose financial reports, the qualitative characteristics and the constraints on information in general purpose financial reports, and the key characteristics of a reporting entity. Terminology and guidance in PBE Standards has therefore been updated, where necessary, to reflect the new framework.</p> <p>Amendments arising from <i>Improvements to IPSASs 2015</i> and IASB amendments are covered in Appendix B. Entities will need to review each individual amendment to identify if any are relevant.</p> <p>Amendments arising from Chapters 1-4 of the <i>PBE Conceptual Framework</i> apply to annual periods beginning on or after 1 January 2017. Refer to Appendix B for the effective dates of the other amendments.</p>							
<b>PBE IPSAS 34 Separate Financial Statements</b>	1 Jan 2019	○	○	○	○	○	○
<p>This new Standard, when applied with PBE IPSAS 35, supersedes PBE IPSAS 6 (PS) and PBE IPSAS 6 (NFP). The requirements of PBE IPSAS 34 are substantially the same as the previous requirements for separate financial statements contained in PBE IPSAS 6 (PS) and PBE IPSAS 6 (NFP).</p> <p>This Standard has an effective date for annual periods beginning on or after 1 January 2019, with early application permitted so long as PBE IPSAS 35, PBE IPSAS 36, PBE IPSAS 37 and PBE IPSAS 38 are also applied early.</p>							

New Pronouncement	Effective date*	Year ending				Interim ending	
		Dec 2016		Mar 2017		Mar 2017	
		PS	NFP	PS	NFP	PS	NFP
<b>PBE IPSAS 35 Consolidated Financial Statements</b>	1 Jan 2019	0	0	0	0	0	0
<p>This new Standard, when applied with PBE IPSAS 34, supersedes PBE IPSAS 6 (PS) and PBE IPSAS 6 (NFP).</p> <p>The objective of PBE IPSAS 35 is to have a single basis for consolidation for all entities, regardless of the nature of the entity, and that basis is control. An entity controls another entity when these three elements are present:</p> <ul style="list-style-type: none"> <li>• power over the other entity;</li> <li>• exposure or rights to variable benefits from involvement with the other entity; and</li> <li>• the ability to use power over the other entity to affect the nature or the amount of the benefits from involvement with the other entity.</li> </ul> <p>The Standard provides detailed guidance on how to apply the control principle in a number of situations, including discussion around predetermined activities and network and partner agreements. The mixed group guidance contained in PBE IPSAS 6 (PS) and PBE IPSAS 6 (NFP) has also been incorporated into PBE IPSAS 35, with minimal adjustment.</p> <p>The Standard introduces a new concept of an “investment entity”. Investment entities do not consolidate their subsidiaries but rather account for their interests at fair value.</p> <p>The new Standard also includes an exemption from consolidating controlled investment entities. Instead it requires the controlling entity to present consolidated financial statements which i) measure the investments of the controlled investment entity at fair value through surplus or deficit in accordance with PBE IPSAS 29 and ii) consolidates the other assets and liabilities and revenue and expenses of the controlled investment entity in accordance with PBE IPSAS 35.</p> <p>This Standard has an effective date for annual periods beginning on or after 1 January 2019, with early application permitted so long as PBE IPSAS 34, PBE IPSAS 36, PBE IPSAS 37 and PBE IPSAS 38 are also applied early.</p>							
<b>PBE IPSAS 36 Investments in Associates and Joint Ventures</b>	1 Jan 2019	0	0	0	0	0	0
<p>This new Standard, when applied, supersedes PBE IPSAS 7 <i>Investments in Associates</i>. The new Standard combines the accounting for both associates and joint ventures as a result of requiring the use of the equity method to account for investments in joint ventures as well as for investments in associates. Some of the significant differences between PBE IPSAS 7 and the new Standard are as follows:</p> <ul style="list-style-type: none"> <li>• the scope of the Standard has been expanded to include all “quantifiable ownership interests” – PBE IPSAS 7 previously required an ownership interest in an associate to be “in the form of a shareholding or other formal equity structure”;</li> <li>• in instances where an entity is precluded by PBE IPSAS 29 from measuring the retained interest in a former associate or joint venture at fair value, the carrying amount may be used as cost on initial recognition of the financial asset. PBE IPSAS 7 did not allow this option; and</li> <li>• the new Standard contemplates the accounting for interests in investment entities and requires the investor to retain the fair value measurement applied by the investment entity associate or joint venture.</li> </ul> <p>This Standard has an effective date for annual periods beginning on or after 1 January 2019, with early application permitted so long as PBE IPSAS 34, PBE IPSAS 35, PBE IPSAS 37 and PBE IPSAS 38 are also applied early.</p>							

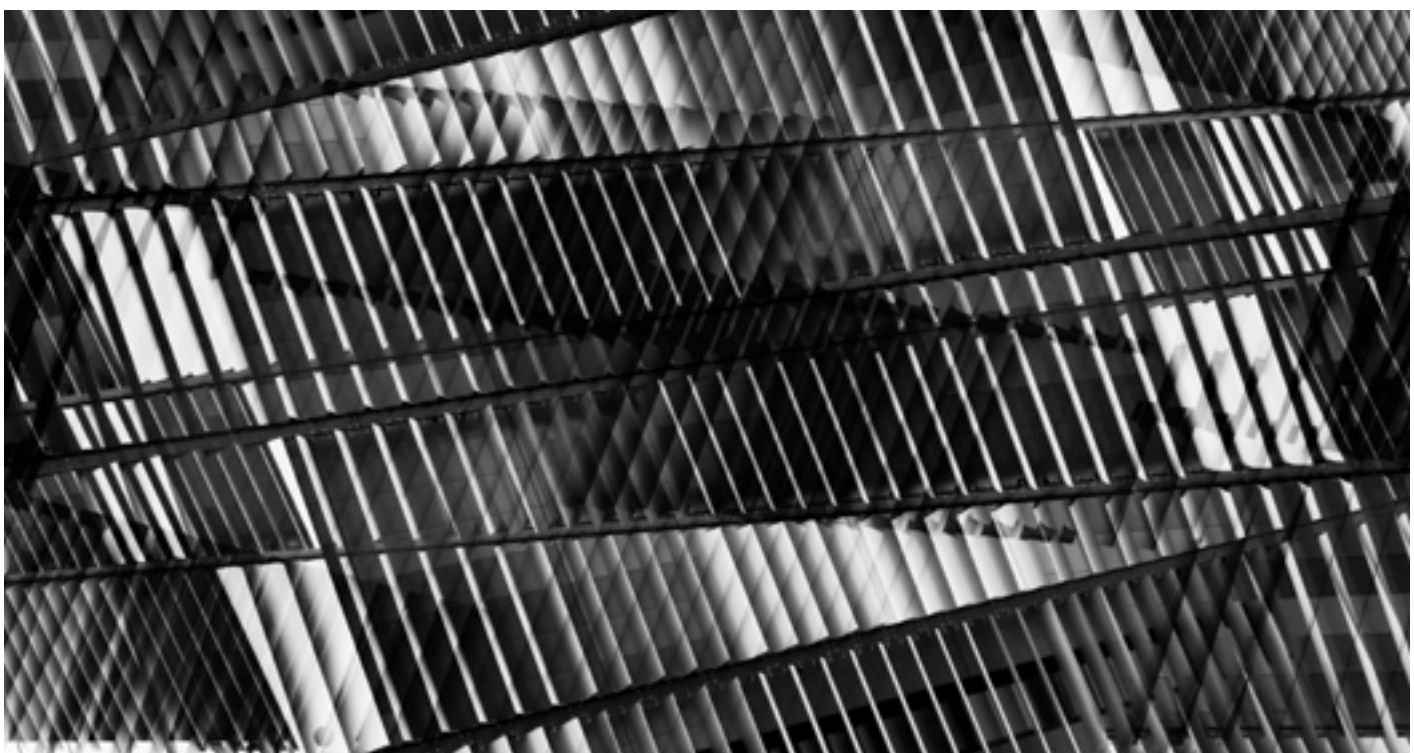
New Pronouncement	Effective date*	Year ending				Interim ending	
		Dec 2016		Mar 2017		Mar 2017	
		PS	NFP	PS	NFP	PS	NFP
<b>PBE IPSAS 37 Joint Arrangements</b>	1 Jan 2019	0	0	0	0	0	0
<p>This new Standard classifies joint arrangements as either joint operations (combining the existing concepts of jointly controlled assets and jointly controlled operations) or joint ventures (which will include some of the entities currently classified as jointly controlled entities).</p> <p>A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities.</p> <p>A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.</p> <p>Joint operators recognise their assets, liabilities, revenue and expenses in relation to their interest in the joint operation. However, this Standard requires the use of the equity method of accounting for interests in joint ventures thereby eliminating the proportionate consolidation method.</p> <p>The determination of whether a joint arrangement is a joint operation or a joint venture is based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor.</p> <p>This Standard has an effective date for annual periods beginning on or after 1 January 2019, with early application permitted so long as PBE IPSAS 34, PBE IPSAS 35, PBE IPSAS 36 and PBE IPSAS 38 are also applied early.</p>							
<b>PBE IPSAS 38 Disclosure of Interests in Other Entities</b>	1 Jan 2019	0	0	0	0	0	0
<p>This Standard applies to entities that have an interest in controlled entities, joint arrangements, associates or unconsolidated structured entities. It establishes disclosure objectives and specifies minimum disclosures that an entity must provide to meet those objectives. An entity should disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements. The disclosure requirements are extensive and significant effort may be required to accumulate the necessary information.</p> <p>In particular a number of new disclosures are required by investment entities, entities which control investment entities and which are not themselves investment entities, and in relation to unconsolidated structured entities.</p> <p>This Standard has an effective date for annual periods beginning on or after 1 January 2019, with early application permitted so long as PBE IPSAS 34, PBE IPSAS 35, PBE IPSAS 36 and PBE IPSAS 37 are also applied early.</p>							

New Pronouncement	Effective date*	Year ending				Interim ending	
		Dec 2016		Mar 2017		Mar 2017	
		PS	NFP	PS	NFP	PS	NFP
<b>PBE IFRS 9 <i>Financial Instruments</i></b>	1 Jan 2021	0	0	0	0	0	0
<p>The NZASB has taken the decision to issue a new financial instruments PBE Standard based on the for-profit NZ IFRS 9 <i>Financial Instruments</i>, in advance of the IPSASB issuing its own financial instruments standard. This is due to concerns relating to mixed groups and the fact that consistent accounting policies are required when preparing group financial statements. PBE IFRS 9 introduces a new classification and measurement regime for financial instruments and will need to be carefully considered by each entity.</p> <p>Some key changes include:</p> <p><b>Financial assets</b></p> <ul style="list-style-type: none"> <li>debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances);</li> <li>investments in equity instruments can be designated as 'fair value through other comprehensive revenue and expense' (FVTOCRE) with only dividends being recognised in surplus or deficit;</li> <li>the new measurement category of FVTOCRE will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets;</li> <li>all other instruments (including all derivatives) are measured at fair value with changes recognised in surplus or deficit;</li> <li>the concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines; and</li> <li>all equity investments are measured at fair value (including unquoted equity investments).</li> </ul> <p><b>Financial liabilities</b></p> <ul style="list-style-type: none"> <li>PBE IPSAS 29 classification categories of amortised cost and fair value through surplus or deficit are retained;</li> <li>changes in credit risk on liabilities designated as at fair value through surplus or deficit is recognised in other comprehensive revenue and expense, unless it creates or increases an accounting mismatch, and is not recycled to surplus or deficit;</li> <li>the meaning of credit risk is clarified to distinguish between asset-specific and performance credit risk; and</li> <li>the cost exemption in PBE IPSAS 29 for derivative liabilities to be settled by delivery of unquoted equity instruments is eliminated.</li> </ul> <p><b>Hedge accounting and credit risk on own liabilities</b></p> <ul style="list-style-type: none"> <li>a broadening of the risks eligible for hedge accounting;</li> <li>changes in the way forward contracts and derivative options are accounted for when in a hedge accounting relationship, which reduces surplus or deficit volatility;</li> <li>the effectiveness test has been replaced with the principle of an "economic relationship" and retrospective assessment of effectiveness is no longer required; and</li> <li>enhanced disclosures regarding an entity's risk management activities.</li> </ul>							

New Pronouncement	Effective date*	Year ending				Interim ending	
		Dec 2016		Mar 2017		Mar 2017	
		PS	NFP	PS	NFP	PS	NFP
<p><b>The expected loss impairment model</b></p> <p>The expected loss impairment model will apply to debt instruments measured at amortised cost or FVTOCRE, lease receivables, and certain written loan commitments and financial guarantee contracts. The loan loss allowance will be for either 12-month expected losses or lifetime expected losses (the latter applies if credit risk has increased significantly since initial recognition). A different approach applies to purchased or originated credit-impaired financial assets, and there are some simplifications and/or accounting policy choices in relation to trade receivables and lease receivables.</p> <p>Extensive disclosure requirements have also been added to PBE IPSAS 30 <i>Financial Instruments: Disclosures</i>.</p> <p><b>PBE-specific issues addressed</b></p> <p>PBE IFRS 9, although based on NZ IFRS 9, has incorporated PBE-specific differences that currently exist between the requirements in NZ IAS 39 and PBE IPSAS 29 (e.g. requirements for concessionary loans and guidance on initial recognition of financial assets arising from non-exchange transactions).</p> <p>Alignment to existing PBE Standards has also been addressed – e.g. there is no PBE Standard-equivalent for NZ IFRS 13 <i>Fair Value Measurement</i> or NZ IFRS 15 <i>Revenue from Contracts with Customers</i>, therefore the current fair value and revenue guidance in PBE IPSAS 29 has been incorporated into PBE IFRS 9.</p> <p><b>Consequential amendments and transition</b></p> <p>Consequential amendments affecting a number of Standards including PBE IPSAS 30 can be found in Appendix D of PBE IFRS 9 and should be considered. These have been issued with the same effective date as PBE IFRS 9.</p> <p>PBE IFRS 9 has an effective date for annual periods beginning on or after 1 January 2021, with early application permitted. The Standard shall be applied retrospectively, subject to certain exceptions (e.g. most hedge accounting is applied prospectively).</p>							



New Pronouncement	Effective date*	Year ending				Interim ending	
		Dec 2016		Mar 2017		Mar 2017	
		PS	NFP	PS	NFP	PS	NFP
<b>Simple Format Reporting (Tiers 3 and 4)</b>							
<b>Interests in Other Entities (Amendments to PBE SFR-A (NFP))</b>	1 Apr 2015		M		M <sup>2</sup>		M <sup>2</sup>
<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>							
<b>Amendments to Simple Format Reporting Requirements as a Consequence of XRB A1</b>	1 Jan 2016	M	M	M	M	M	M
<p>These amendments relate to terminology changes in the Simple Format Reporting requirements as a result of the issue of the updated XRB A1.</p> <p>The amendments apply to annual periods beginning on or after 1 January 2016, with early application permitted for annual periods beginning on or after 1 April 2015.</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
<p><b>Opening statement of financial position</b></p> <p><i>(i.e. an entity's statement of financial position at the date of transition to PBE Standards)</i></p>	<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 PS PBEs do not need to present the opening statement of financial position.</i></p>
<p><b>Comparative information</b></p>	<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 that 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; and</li> <li>• disclose the nature 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 nature of the main adjustments that would need to be made to make the information comply with PBE Standards.</li> </ul>
<p><b>Historical summaries not prepared in accordance with PBE Standards</b></p>	<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>	<p>Include a statement that the financial statements are the first financial statements presented in accordance with PBE Standards.</p> <p>For each financial statement line item materially affected at the date of adoption, disclose the nature and amount of the adjustment.</p>	<p>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.</p> <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> <p>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>.</p> <p>Disclose the fact that no financial statements were presented in previous periods, if applicable.</p> <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 – Omnibus Amendments to PBE Standards

This appendix includes a list of the Standards affected and subject matters of the amendments passed in the 2015 and 2016 *Omnibus Amendments to PBE Standards*:

## 2015:

PBE Standard	Subject of amendment
<b>PBE IPSAS 16</b> <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.
<b>PBE IPSAS 20</b> <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.
<b>PBE IFRS 3</b> <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.
<b>PBE IFRS 5</b> <i>Non-current Assets Held for Sale and Discontinued Operations</i>	<p>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:</p> <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>
<b>PBE IAS 34</b> <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.
<b>PBE IPSAS 1</b> <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.
<b>PBE IPSAS 17</b> <i>Property, Plant and Equipment</i>	<p>Clarifies the following:</p> <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; and</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> <p>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.</p>
<b>PBE IPSAS 28</b> <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> .

Clarifies that:

- 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
- 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.

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.

(Applicable for periods beginning on or after 1 January 2016)



PBE Standard	Subject of amendment
<b>PBE IPSAS 12</b> <i>Inventories</i>	The term “ammunition” has been replaced with the term “military inventories”, with a description added.
<b>PBE IPSAS 17</b> <i>Property, Plant and Equipment</i> <b>PBE IPSAS 27</b> <i>Agriculture</i>	<p>The amendments bring bearer plants, which are used solely to grow produce, into the scope of PBE IPSAS 17 (and out of the scope of PBE IPSAS 27) so that they are accounted for in the same way as property, plant and equipment. A bearer plant is defined as “a living plant that:</p> <ul style="list-style-type: none"> <li>• is used in the production or supply of agricultural produce;</li> <li>• is expected to bear produce for more than one period; and</li> <li>• has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.”</li> </ul> <p>The amendments clarify that produce growing on bearer plants continues to be accounted for under PBE IPSAS 27.</p> <p>The amendments to PBE IPSAS 17 also replace the term “specialist military equipment” with the term “weapons systems”, with a description added.</p>
<b>PBE IPSAS 32</b> <i>Service Concession Arrangements: Grantor</i>	The amendments remove the possibility that dissimilar assets might be accounted for as a single class of assets under PBE IPSAS 32. It will be necessary to reassess the classification of service concession assets as a result of the amendments. Specific transitional provisions must be followed where there is a reclassification – refer to the amended PBE IPSAS 32 for further guidance.
<b>PBE IFRS 5</b> <i>Non-current Assets Held for Sale and Discontinued Operations</i>	This is an editorial correction to reinstate an original requirement to disclose the income tax expense of discontinued operations.
<b>PBE IAS 12</b> <i>Income Taxes</i>	<p>The amendments clarify the following:</p> <ul style="list-style-type: none"> <li>• unrealised losses on debt instruments measured at fair value for accounting purposes but at cost for tax purposes can give rise to deductible temporary differences, regardless of whether the carrying amount is expected to be recovered through holding the instrument until maturity or by sale of the instrument;</li> <li>• when determining whether future taxable profits are available against which deductible temporary differences may be utilized, tax deductions resulting from the reversal of those deductible temporary differences are excluded; and</li> <li>• estimates of future taxable profits may take into account the recovery of an asset for more than its carrying amount if there is sufficient evidence that this recovery is probable.</li> </ul>

(Applicable for periods beginning on or after 1 January 2017 except for the bearer plant amendments, which are applicable for periods beginning on or after 1 January 2018)

New Zealand Directory

**Auckland** Private Bag 115033, Shortland Street, Auckland, 1140, Ph +64 (0) 9 3030700, Fax +64 (0) 9 3030701

**Hamilton** PO Box 17, Hamilton, 3240, Ph +64 (0) 7 838 4800, Fax +64 (0) 7 838 4810

**Rotorua** PO Box 12003, Rotorua, 3045, Ph +64 (0) 4 343 1050, Fax +64 (0) 4 343 1051

**Wellington** PO Box 1990, Wellington, 6140, Ph (0) 4 470 3500, Fax +64 (0) 4 470 3501

**Christchurch** PO Box 248, Christchurch, 8140, Ph +64 (0) 3 363 3800, Fax +64 (0) 3 363 3801

**Dunedin** PO Box 1245, Dunedin, 9054, Ph +64 (0) 3 474 8630, Fax +64 (0) 3 474 8650

**Internet address** <http://www.deloitte.co.nz>

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The Editor,  
Accounting Alert

Private Bag 115033,  
Shortland Street,  
Auckland, 1140

Ph +64 (0) 9 309 4944  
Fax +64 (0) 9 309 4947

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