

PBE IPSAS 1 Presentation of Financial Statements – Differences to NZ IFRS (PBE) Standard

There are a number of terminology changes in PBE IPSAS 1 which are pervasive throughout the new PBE suite of standards. The Treasury will be reviewing these terminology changes in more detail in a later phase of the PBE transition project to determine if there are any impacts on the presentation of the Financial Statements of the Government.

It should also be noted that differences between PBE IPSAS 1 and its NZ IFRS equivalent include a number of disclosures previously moved from NZ IAS 1 (PBE) to FRS 44 (PBE) *New Zealand Additional Disclosures* as part of the Trans-Tasman harmonisation project in 2011. As a result, PBE IPSAS 1 needs to be compared to both NZ IAS 1 (PBE) and FRS 44 (PBE) to identify any differences.

	NZ IAS 1 (PBE) & FRS 44(PBE)	PBE IPSAS 1	Difference
1	<p>Terms used in NZ IAS 1 and FRS 44</p> <p>Income</p> <p>Profit or loss</p> <p>Other comprehensive income</p> <p>Total comprehensive income</p> <p>Statement of changes in equity</p> <p>Retained earnings</p> <p>Parent</p> <p>Subsidiary</p> <p>Non-controlling interest</p> <p>Group</p> <p>Management or governing body</p> <p>Operating cycle, being the time between acquisition of assets and their realisation in cash.</p>	<p>Corresponding terms used in PBE IPSAS 1</p> <p>Revenue</p> <p>Surplus or deficit</p> <p>Other comprehensive revenue or expenses</p> <p>Total comprehensive revenue and expense</p> <p>Statement of changes in net assets/equity</p> <p>Accumulated comprehensive revenue and expense</p> <p>Controlling entity</p> <p>Controlled entity</p> <p>Minority interest</p> <p>Economic entity</p> <p>Those responsible for preparing the financial statements</p> <p>The operating cycle of an entity is the time taken to convert inputs or resources into outputs</p>	<p>As mentioned above, a number of terms used in presentation terminology have changed. These changes will need to be considered when entities prepare their first accounts under the new framework.</p> <p>Treasury will also consider these terminology changes in greater detail at a later phase in the transition project to determine any changes required to the Financial Statements of the Government.</p>

	NZ IAS 1 (PBE) & FRS 44(PBE)	PBE IPSAS 1	Difference
2	<p>Under NZ IFRS, <i>revenue</i> is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants.</p> <p>Under NZ IFRS the definition of <i>income</i> encompasses both revenue and gains.</p> <p><i>Revenue</i> arises in the course of the ordinary activities of an entity and is referred to by a variety of different names including sales, fees, interest, dividends, royalties and rent.</p> <p><i>Gains</i> represent other items that meet the definition of income and may, or may not, arise in the course of the ordinary activities of an entity.</p> <p>NZ IAS 18 Objective NZ IAS 18.7 NZ IFRS Framework 74-77</p>	<p>Under PBE IPSAS 1 <i>Presentation of Financial Statements</i>, <i>revenue</i> is the gross inflow of economic benefits or service potential during the reporting period when those flows result in an increase in net assets/equity, other than increases relating to contributions from owners.</p> <p>Under the PBE standards the term <i>revenue</i>, encompasses both revenues and gains</p> <p>However, The PBE Framework (which is drawn from the NZ IFRS Framework) refers to <i>income</i>. The Framework notes that the definition of revenue in PBE IPSAS 1 is equivalent to the term income in the PBE Framework.</p> <p>(PBE IPSAS 9 Objective) (PBE IPSAS 7 Definitions)</p>	<p>Under the PBE standards the term revenue has the same meaning as income under NZ IFRS (PBE).</p> <p>Therefore, in comparing NZ IAS 18 (PBE) and PBE IPSAS 9, there is a scope difference in that IPSAS 9 covers both <i>revenue and gains</i> whereas NZ IAS 18 (PBE) is narrower in that it covers only revenue in the course of the ordinary activities of an entity.</p> <p>PBE IPSAS 9 also includes reference to both <i>economic benefits and service potential</i>.</p> <p>While PBE IPSAS 9 has a wider scope compared to NZ IAS 18, we would not expect any significant impact in practice when the PBE standards are considered as a whole.</p>
3	<p>FRS 44 requires that an entity discloses a statement as to whether the financial statements have been prepared in accordance with GAAP.</p> <p>FRS 44.7 (a)</p>	<p>There is no specific requirement in the PBE standard to state compliance with GAAP, but an entity asserting compliance with GAAP (as required under the Financial Reporting Act 1993) must make an explicit and unreserved statement of compliance with PBE standards in the notes (provided the entity's financial statements comply with PBE standards).</p> <p>PBE IPSAS 1.28</p>	<p>Entities will continue to state that their accounts have been prepared in accordance with GAAP and will have to state that they comply with PBE standards (provided they do comply).</p>

	NZ IAS 1 (PBE) & FRS 44(PBE)	PBE IPSAS 1	Difference
4	NZ IAS 1(PBE) and IFRS 44(PBE) require the entity to disclose information about the basis of preparation of the financial statements. NZ IAS 1.112	PBE IPSAS 1 requires that the entity discloses information about the basis of preparation of the financial statements and in particular the statutory base under which the financial statements are prepared; PBE IPSAS 1.28.1(a)	The specific requirement to state the statutory base re-introduces a disclosure previously required under NZ IFRS which was only removed in 2011 under the Trans-Tasman Harmonisation Project. Thus many entities may still be disclosing this information and will therefore continue to do so.
5	Under NZ IAS 1 (PBE) the entity is required to disclose whether it is a <i>qualifying entity</i> for the purposes of complying with GAAP. IFRS 44.7(b)	The PBE standard requires the entity to disclose whether it has (a) reported in accordance with Tier 1 PBE Standards; or (b) elected to report in accordance with Tier 2 PBE Standards and applied disclosure concessions. If the entity is electing to report under tier two concessions then the eligibility criteria used to establish this must be disclosed. PBE IPSAS 1.28.1(c)	Qualifying entities do not exist under the new framework. Instead, an entity will report under the requirements of a specific tier. If it has elected a tier other than tier one, then the eligibility criteria used to establish this must be disclosed.
6	Application guidance as to whether an entity is a public benefit entity is contained within Appendix A <i>When is an entity a public benefit entity?</i>	Application guidance as to whether an entity is a public benefit entity is contained within XRB A1 <i>Accounting Standards Framework</i> .	Guidance on whether an entity is a PBE has been relocated to the framework. However, the guidance has not changed.
7	Prohibits the recognition of items as “extraordinary”	PBE IPSAS 1 does not specifically prohibit the recognition of items as <i>extraordinary</i> .	We would expect no change from current practice under NZ IFRS.
8	In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, <u>twelve months from the end of the reporting period</u> . NZ IAS 1.26	Under the PBE Standard, when an entity is considering whether the going concern assumption is appropriate and looking at information about the future, the minimum period to assess is <u>twelve months from the approval of the financial statements</u> . PBE IPSAS 1.39	The starting point of the 12 month period an entity must consider when assessing going concern has changed from the end of the reporting period to the approval date of the financial statements.

	NZ IAS 1 (PBE) & FRS 44(PBE)	PBE IPSAS 1	Difference
9	NZ IAS 1 (PBE) does not comment on the timeliness of financial statements.	PBE IPSAS 1 states that an entity should be in a position to issue its financial statements within six months of the reporting date – with some further discussion around factors affecting timeliness. PBE IPSAS 1.69	The PBE standard contains more guidance on timeliness, but we would not expect this would impact PBEs within the Government reporting entity, which already have specific legislative timetables for financial reporting, which is required well inside six months from balance date.
10	NZ IAS 1 does not contain such guidance.	With respect to the statement of changes in equity PBE IPSAS 1 states that <i>Contributions by, and distributions to owners include transfers between two entities within an economic entity (for example, a transfer from a government, acting in its capacity as owner, to a government department).</i> NZ IAS 1.122	The new standard clarifies that a transfer between a government acting in its capacity as owner, to a government department would be classified as a contribution from the owner.
11	NZ IAS 1 does not require any specific disclosures for entities with no share capital.	PBE IPSAS 1 requires specific disclosures where an entity has no share capital. PBE IPSAS 1.95	Additional disclosures are required where an entity has no share capital.
12	Guidance on service performance reporting is contained within Technical Practice Aid 9 <i>Service Performance Reporting</i> . TPA 9	Guidance on service performance reporting based on TPA 9 accompanies, but is not integral to PBE IPSAS 1. Appendix C	Guidance on service performance reporting has moved. While there have been a number of editorials to tidy up the guidance when it was moved, the fundamental requirements have not changed.