

PBE IPSAS 28 Financial Instruments: Presentation – Differences to NZ IFRS (PBE)

	NZ IAS 32 (PBE)	PBE IPSAS 28	Difference
1	<p>Under NZ IFRS (PBE) standards, entities must apply NZ IAS 32 (PBE) for financial guarantee contracts. However, entities are permitted to account for these financial guarantee contracts as insurance contracts (and apply NZ IFRS 4 (PBE) <i>Insurance Contracts</i>) only so long as the insurer has previously asserted explicitly in the financial statements that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts.</p> <p>All other insurance contracts must be accounted for under NZ IFRS 4 (PBE) <i>Insurance Contracts</i></p> <p>NZ IAS 32.4(d)</p>	<p>A PBE is able to apply PBE IPSAS 28 to financial guarantee contracts but shall apply PBE IFRS 4 <i>Insurance Contracts</i> if the entity elects to apply that standard in recognising and measuring them.</p> <p>An entity may also apply PBE IPSAS 28 to other insurance contracts which involve the transfer of financial risk.</p> <p>PBE IPSAS 28.3(c)(ii) and AG 8</p>	<p>Entities under the PBE standards effectively have a free choice as to whether they apply PBE IPSAS 28 or PBE IFRS 4 for financial guarantee contracts and other insurance contracts which involve the transfer of financial risk. The criterion requiring a previous explicit assertion that the entity considers financial guarantee contracts as insurance contracts is no longer a pre-requisite to applying PBE IFRS 4.</p>
2	<p>NZ IAS 32 does not provide any guidance as to whether a financial guarantee is contractual or non-contractual.</p>	<p>PBE IPSAS 28 provides guidance on whether a financial guarantee is contractual or non-contractual.</p> <p>PBE ISAS 28 AG 3 to AG 4 and AG 20</p>	<p>Additional guidance provided</p>
3	<p>NZ IAS 32 does not provide any guidance as to whether assets and liabilities (including exchange and non-exchange) arise out of contractual or non-contractual arrangements.</p>	<p>PBE IPSAS 28 provides guidance on whether assets and liabilities (including exchange and non-exchange) arise out of contractual or non-contractual arrangements. This clarifies an area where previously judgement was required.</p> <p>PBE IPSAS 28 AG 19 to AG 22</p>	<p>Additional guidance provided</p>

	NZ IAS 32 (PBE)	PBE IPSAS 28	Difference
4	<p>NZ IAS 32 requires that rights issues be classified as equity (prior to the 2009 amendment rights issues would most likely to have been accounted for as derivative liabilities).</p> <p>Under NZ IAS 32, any entity that issues rights, warrants or options to acquire a fixed number of its own equity instruments for a fixed amount are equity instruments, no matter what currency the fixed amount is denominated in.</p>	<p>PBE IPSAS 28 permits rights issues (including rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer to be accounted for as derivative liabilities.</p> <p>Under PBE IPSAS 28, rights, warrants or options, denominated in a foreign currency are accounted for as derivative liabilities because the consideration is not fixed in the entity's functional currency.</p>	<p>Such instruments are unlikely to exist in the Government reporting entity, so no impact is expected.</p>
5	<p>NZ IAS 32 does not refer to unissued currency.</p>	<p>PBE IPSAS 28 states that unissued currency is not a financial instrument. Guidance on unused currency is provided in PBE IPSAS 12 <i>Inventories</i>.</p> <p>PBE IPSAS 28 AG 10</p>	<p>Clarification that unissued currency is not a financial instrument. The Crown accounting policy is consistent with the guidance in PBE IPSAS.</p>