PBE IPSAS 29 Financial Instruments: Recognition and Measurement – Differences to NZ IFRS (PBE)

	NZ IAS 39 (PBE)	PBE IPSAS 29	Difference
1	Under NZ IFRS (PBE) standards, entities must apply NZ IAS 39 (PBE) to financial guarantee contracts. However, entities are permitted to account for these financial guarantee contracts as insurance contracts (and apply NZ IFRS 4 (PBE) *Insurance Contracts*) only so long as the insurer has previously asserted explicitly in its financial statements that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts. All other insurance contracts must be accounted for under NZ IFRS 4 (PBE) *Insurance Contracts* NZ IAS 39.2 (e)	A PBE is able to apply PBE IPSAS 29 to financial guarantee contracts but shall apply PBE IFRS 4 *Insurance Contracts* if the entity elects to apply that standard in recognising and measuring them. An entity may also apply PBE IPSAS 29 to other insurance contracts which involve the transfer of financial risk. PBE IPSAS 29.2(e) and AG3-9	Entities under the PBE standards effectively have a free choice as to whether they apply PBE IPSAS 29 or PBE IFRS 4 for financial guarantee contracts and other insurance contracts which involve the transfer of financial risk. The criterion of having to have made a previous explicit assertion that the entity considers financial guarantee contracts as insurance contracts as is no longer a pre-requisite to applying PBE IFRS 4.

	NZ IAS 39 (PBE)	PBE IPSAS 29	Difference
2	NZ IAS 39 (PBE) does not explicitly exclude (a) non-exchange transactions; and (b) rights and obligations under service concession arrangements as standards covering these do not exist under the old framework.	PBE IPSAS 29 Scope explicitly excludes: (a) The initial recognition and initial measurement of rights and obligations arising from non-exchange revenue transactions, covered by PBE IPSAS 23. (b) Rights and obligations under service concession arrangements to which PBE IPSAS 32 *Service Concession Assets: Grantor* applies. However, financial liabilities recognised by a grantee under the financial liability model are subject to the de-recognition provisions of PBE IPSAS 29 (see paragraphs 41–44 and Appendix A paragraphs AG72–AG80).	Rights and obligations arising under non-exchange revenue transactions or service concession arrangements must be dealt with under PBE IPSAS 23 and IPSAS 32.

	NZ IAS 39 (PBE)	PBE IPSAS 29	Difference
3	NZ IAS 39 (PBE) contains limited guidance on initial recognition on loans that carry no interest or interest at lower than market rates. NZ IAS 39.AG64 and AG65	PBE IPSAS 29 Contains integral application guidance which clarifies the accounting for recognition and measurement of concessionary loans. Such loans are granted to or are received at below market terms and should be distinguished from the waiver of debt owing to or by the entity. Any difference between the fair value of the loan and the transaction price (the loan proceeds) is treated as follows: (a) Where the loan is received by an entity, the difference is accounted for in accordance with PBE IPSAS 23. (b) Where the loan is granted by an entity, the difference is treated as an expense in surplus or deficit at initial recognition, except where the loan is a transaction with owners, in their capacity as owners. Where the loan is a transaction with owners in their capacity as owners, for example, where a controlling entity provides a concessionary loan to a controlled entity, the difference may represent a capital contribution, i.e., an investment in an entity, rather than an expense Illustrative examples are provided in paragraph IG54 of PBE IPSAS 23 as well as paragraphs IE40 to IE41 accompanying PBE IPSAS 29 BE IPSAS 29.AG84 toAG90	NZ IAS 39 (PBE) provides limited guidance on concessionary loans. The guidance under PBE IPSAS 29 is more explicit Concessionary loans are made from the outset at below market terms. The granting or receiving of a concessionary loan is distinguished from the waiver of debt. This distinction affects whether the below market conditions are considered in the initial accounting for the loan or as part of the subsequent accounting. For waivers of debt, entities recognise the write-off in the operating statement and derecognise the financial instrument at the time of the waiver. When the concession is made at the outset, an assessment is made whether the transaction is in substance a loan, a grant, a contribution from owners or a combination thereof. To the extent it is a grant, it is treated as non-exchange revenue or expense. To the extent it is a contribution from owners, the transaction is accounted for directly in equity. If it is a loan, the fair value of the loan is determined, either by reference to an active market, or by discounting all future cash receipts using a market related rate of interest for a similar loan. Any difference between the fair value of the loan and the transaction price (the loan proceeds) is treated by the recipient as non-exchange revenue, and by the grantor as an expense. The loan is subsequently accounted for in the same way as other financial instruments. Full guidance is set out in PBE IPSAS 29 AG84-90 with other examples in IG54 of PBE IPSAS 23 and IE40-41 of IPSAS 29. In practice we do not expect significant impact because the Crown accounting policy for concessionary loans granted and received under NZ IFRS is consistent with application guidance on concessionary loans in PBE IPSAS 29. Entities that have granted or received concessionary loans will need to compare their current treatment to the application guidance in PBE IPSAS 29 and make changes to their accounting policy if required, to align with PBE application guidance.

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4	Although NZ IAS 39 (PBE) does not include the following interpretations as integral guidance within NZ IAS 39 (PBE), they are a integral part of NZ IFRS : (a) NZ IFRIC 9 *Reassessment of Embedded Derivatives;* and (b) NZ IFRIC *16 Hedges of a Net Investment in a Foreign Operation* as authoritative appendices.	PBE IPSAS 29 includes the following as an integral part of PBE IPSAS 29: (a) NZ IFRIC 9 *Reassessment of Embedded Derivatives*; and (b) NZ IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* NZ IFRIC 9 & NZ IFRIC 16 have been added as appendices B & C respectively in PBE IPSAS 29.	Although the location of the guidance has changed, the content and substance is the same.
5	NZ IAS 39 (PBE) does not refer specifically to the situation where an obligation is waived by a lender or assumed by a third party as part of a non-exchange transaction as there is no equivalent to PBE IPSAS 23 in the old framework.	PBE IPSAS 29 requires that where an obligation is waived by a lender or assumed by a third party as part of a non-exchange transaction, the entity must apply PBE IPSAS 23. PBE IPSAS 29.43	There is now a specific treatment to apply when an obligation is waived.