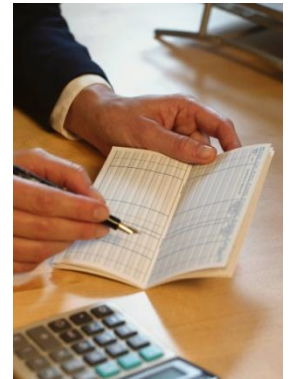




Future Accounting Standards Framework

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Introduction

- ASRB Discussion Document:
“Proposed Application of Accounting and Assurance Standards under the Proposed New Statutory Framework for Financial Reporting”
- Proposed:
 - Multi-standards framework
 - IFRS based standards for for-profit entities
 - IPSAS based standards for public sector PBEs
 - IPSAS based “NFP Application” for NFPs.
 - Use of tiers in each sector
 - Differential reporting to help match costs and benefits.

Introduction

- 76 submissions received
- General agreement on some key elements:
 - User-information focus should prevail
 - Sectors are useful in considering this
 - Tiered approach useful
- Views split between those supporting and opposing:
 - Sector-specific standards
 - Use of “pure” international standards
- Strong agreement that status quo not satisfactory

Board Consideration

- Key issue for Board: *single or multi-standards framework*
- Considering two broad alternatives:
 - *Single* = enhanced equivalents approach (IFRS as base)
 - *Multi* = different standards for different sectors (IFRS, IPSAS, NFP Application)

Board Consideration

- Board considering specific issues in-depth:
 - Convergence with Australia
 - *Broad approach for for-profit entities*
 - *Viability of IPSAS*
 - *Viability of an NFP Application based on IPSAS*
 - *Viability of enhanced NZ equivalents*
 - Non-technical factors (such as professional specialisation, mobility and education)
 - Tier structures and criteria.

Tentative Preliminary Views

Caveat

- These are tentative conclusions based on individual issues
- Board's view: important to consider all of the issues before forming an overall view

Tentative Views: *For-Profit Entities*

- Key issues:
 - Number of tiers
 - Definition of public accountability to define tiers
 - Tier 2 accounting standards
- Two tier framework still appropriate
 - Assuming MED proposals to exempt non-large and non-publicly accountable entities
- Joint ASRB/FRSB/Securities Commission Working Group established to consider other two issues

Tentative Views: *For-Profit Entities*

Tier 1 Definition

- Working Group recommended:
 - IASB public accountability definition be retained
 - Issuers traded in public market
 - Fiduciary institutions
 - All similar entities be deemed to be publicly accountable
 - Issuers as defined by legislation (whether traded or not)
 - Registered Banks
 - Non-Bank Deposit Takers
 - Registered Superannuation Schemes
 - Include large for-profit public sector entities
- Similar to approach adopted in Australia

Tentative Views: *For-Profit Entities*

Tier 2 Accounting Standards

- Working Group considered four options
 - Updated Diff Rep Framework
 - Reduced Disclosure Regime (RDR)
 - IFRS for SMEs
 - Either RDR or IFRS for SMEs
- Recommended: *consider RDR*
 - Benefits of reduced disclosure
 - Consistent recognition and measurement between tiers (unlike IFRS for SMEs)
 - Consistent with Australia

Tentative Views: *For-Profit Entities*

Tentative Board View

- See merit in Working Group's recommendations
- Use as starting point for:
 - Discussions with Australia
 - Formal consultation with constituency in 2011

Tentative Views: *IPSAS*

- Key issues:
 - Technical suitability of IPSAS
 - Governance and funding arrangements for IPSASB

Tentative Views: *IPSAS*

- ASRB/OAG/NZICA Working Group established to consider technical aspects
 - Concluded that likely to be technically suitable
 - Identified a number of issues for consideration
- Discussions ongoing over governance and funding issues
 - IPSASB & IFAC
 - Key NZ stakeholders

Tentative Views: *IPSAS*

- *Tentative Board View:*
 - IPSAS seems likely to be technically suitable
 - Provided a few key issues can be addressed
 - Viability of IPSAS is dependent on the satisfactory resolution of governance and funding concerns
 - IPSAS is an option that should be considered at this time

Tentative Views: *NFP Application*

- Key Issue:
 - Viability of a NFP Application based on IPSAS
- ASRB/NFPSAC Working Group concluded:
 - Is viable
 - Provides opportunity to address NFP issues not covered by IPSAS or IFRS
 - Use of NFP language and examples important

Tentative Views: *NFP Application*

- *Tentative Board View:*
 - NFP Application seems likely to be technically viable
 - Is an option that should be considered

Tentative Views: *Enhanced Equivalents*

- Key Issue:
 - Is enhanced equivalents (status quo done better) viable?
- Enhanced equivalents =
 - IFRS converged as appropriate with Australia;
 - + Additional paragraphs for PBEs
 - + Supplementary additional NZ standards
- Compared to the multi standards option, equivalents are:
 - based on IFRS
 - have any variations to IFRS requirements embedded

Tentative Views: *Enhanced Equivalents*

- ASRB/FRSB Working Group concluded:
 - Accounting treatments, application and “technical holes” can be adequately addressed
 - Language issues can be addressed to some extent
 - Difficult to address conceptual accounting differences (between IFRS and IPSAS)

Tentative Views: *Enhanced Equivalents*

- Tentative Board View:
 - There is a limit to how far IFRS can be adapted for PBEs
 - But fragmentation and sectoral specialisation can be addressed more easily through the single standards approach
 - Ensuring standards of an acceptable quality is a key issue in considering this option
 - Option should continue to be considered

Looking Forward

- Board beginning process of bringing it together
- Considering:
 - Viability of options
 - Extent to which options meet user information needs
 - Now and in future
 - Costs and benefits
 - Preparers
 - Standard setters
 - Non-technical factors
- Watch this space!