

# Are you ready for the new Accounting Standards?

**Getting Governance and Accountability  
Right in the Not-for-Profit Sector  
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# Overview

- Proposed new accounting standards: challenges from the NFP sector
- Reporting entity as a case
- Working through reporting entity issues
- Simple Format Reporting Standards - hand over to Megan...

# Proposed new accounting standards: challenges from the NFP sector (1)

- [http://xrb.govt.nz/Site/Financial\\_Reporting\\_Strategy/ASRB\\_History/Viability\\_of\\_a\\_NFP\\_Application.aspx](http://xrb.govt.nz/Site/Financial_Reporting_Strategy/ASRB_History/Viability_of_a_NFP_Application.aspx)
- Conceptual framework necessary for NFP and no IPSASB framework exists
  - But IPSAS acknowledges broader user base and need for accountability
- Distinguishing between liabilities and equity

# Proposed new accounting standards: challenges from the NFP sector (2)

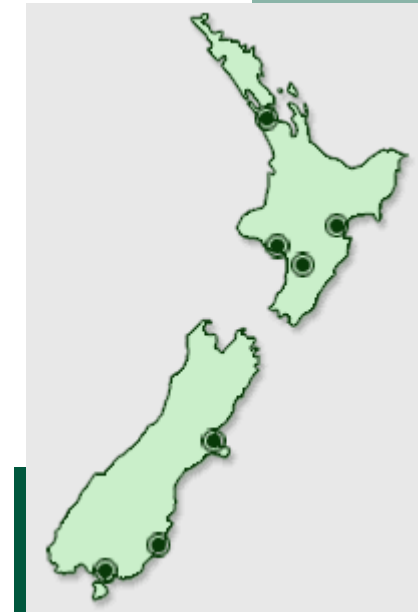
- Recognising services in kind and donated goods
- Uncompleted contracts at year end
- Relevant NFP examples required
- Service performance reporting necessary
- Defining the reporting entity, especially understanding inter-relationships

# Reporting Entity Issues

- Charities may be registered as groups/single entities on the Charities Register
- Separate trusts may deliver services/hold investments
- Charity may have a number of branches and there is a demand for local accountability, not 'Head Office' statements

# Recent example of this issue

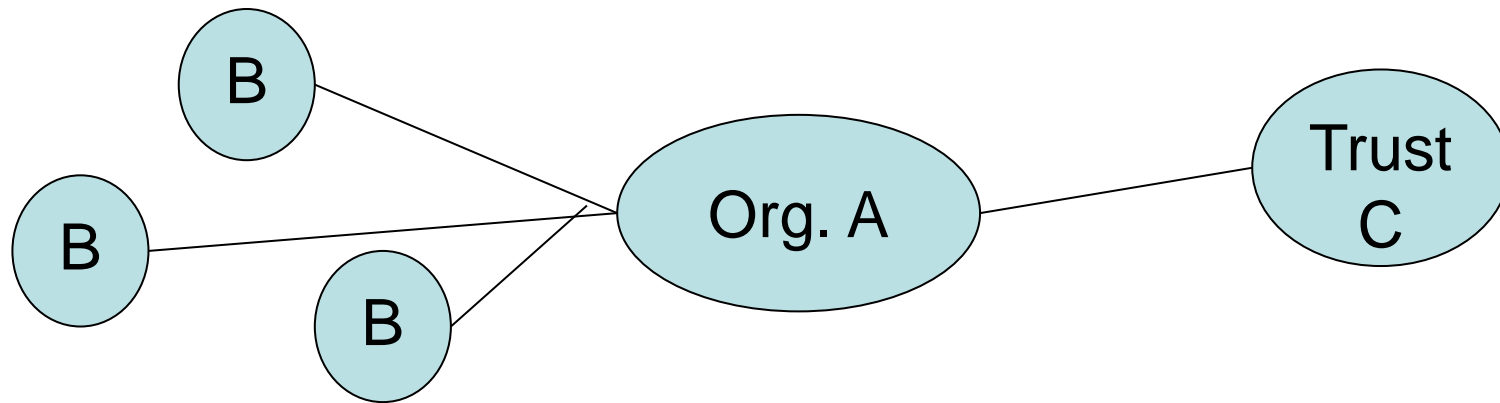
- 'Head office' and 7 branches
- Financial accounts show only 'capitation' rather than all transactions
- To what do members belong?
- What role does 'Head Office' perform?



# A suggested three-step process for reporting entities

1. What is the entity for which General Purpose Financial Reporting is required to be prepared?
2. What other entities do you have a relationship for financial reporting purposes?
3. What is the appropriate accounting treatment of that relationship in the reporting entity's General Purpose Financial Reporting?

# Considering the risks and benefits tests – a discussion



- What types of financial risks would give rise to organisation A having a relationship with organisation B or C?
- What types of benefits would give rise to organisation A having a relationship with organisation B or C?



# Summary

- Tier 1 and 2 (adapted IPSAS) under development and will bring some changes
- Tier 3 and 4 (Simple Format Reporting) aims to make some of the issues simpler
- Reporting Entity needs to be dealt with before working out which tier you are in!