

Perspective

This is one of a series of articles where experts in assurance, reporting and regulatory matters discuss recent technical and policy developments in these areas

The NZASB needs your feedback on the Simple Format Reporting Standards



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In September 2020, the New Zealand Accounting Standards Board (NZASB)¹ issued the Request for Information: *Simple Format Reporting Standards – Post-Implementation Review* (the RFI). Post-implementation reviews (PIRs) are a regular part of standard setting and are usually carried out after a standard has been applied for a few years. The Simple Format Reporting Standards were issued in late 2013 and have been in effect for more than five years.

Your feedback is important. It will help the NZASB understand what is working well, what is not working well, and where more guidance may be required.

This article explains more about the post-implementation review so you can get ‘ready, set, go’ regarding the new standards and determining their impact.



¹ The NZASB is a sub-Board of the External Reporting Board which is responsible for setting accounting standards.

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What are the Simple Format Reporting Standards?

Many public benefit entities (PBEs), including registered charities and public sector entities, are required by legislation to prepare financial statements in accordance with accounting standards issued by the External Reporting Board (XRB).

The accounting standards are organised by tiers – smaller entities are subject to less complex requirements. Tier 4 entities are the smallest entities.

The Simple Format Reporting Standards set out the reporting requirements for PBEs which meet the Tier 3 and Tier 4 criteria.

The standards require that Tier 3 and Tier 4 PBEs produce a performance report. Performance reports are intended to meet the accountability and decision-making needs of a wide range of users, including their needs for financial and non-financial information.

The standards were also intended to improve the quality, consistency and comparability of the information reported by Tier 3 and Tier 4 PBEs.

The standards are written in less technical language than the Tier 1 and Tier 2 standards and focus on the transactions that were expected to be common in each tier.

There are four Simple Format Reporting Standards. In each tier there are two versions of the standard: one version for public sector PBEs and another for not-for-profit PBEs.

The Tier 3 standards establish accrual accounting requirements.

The Tier 4 standards establish cash accounting requirements.

	Criteria	Standard applied	
		Not-for-Profit	Public Sector
Tier 3	<ul style="list-style-type: none">Does not have public accountability;Has total expenses ≤\$2 million; andElects to be in Tier 3	Public Benefit Entity Simple Format Reporting – Accrual (Not-for-Profit)	Public Benefit Entity Simple Format Reporting – Accrual (Public Sector)
Tier 4	<ul style="list-style-type: none">Does not have public accountability;Has total operating payments ≤\$125,000; andElects to be in Tier 4	Public Benefit Entity Simple Format Reporting – Cash (Not-for-Profit)	Public Benefit Entity Simple Format Reporting – Cash (Public Sector)

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What's working well?

What's not working well?

Is more guidance needed?

What is a post-implementation review?

A post-implementation review (PIR) is a regular part of standard setting and is usually carried out once a new standard has been applied for a few years. The purpose of a PIR is to check whether a standard is working as intended and is achieving its original objective.

A PIR looks at:

- whether the standard is working as intended;
- whether any new issues have emerged since the standard was issued; and
- whether the cost of applying the standard is consistent with expectations.

Your feedback is critical to help us answer these questions.

What is the scope of the review?

In New Zealand, legislation sets out **who** is required to report using XRB standards while the XRB is responsible for accounting standards themselves.

The accounting standards set out **what** information entities are required to report and **how** it should be presented.

The scope of this review includes all four simple format reporting standards. It also includes the application

guidance and optional reporting templates issued by the XRB.

All of these documents are available on the [XRB Website](#).

What feedback is the NZASB looking for?

We are seeking feedback on three questions.

Question 1: Overall view of the standards



What is your overall view on how the standards are working?

We want you to give us your overall impression of whether the standards are meeting their original objectives. For example:

- Do you think performance reports prepared using the standards provide the right kind of information?
- Do you think the standards have achieved their objective of being simple to apply?
- If not, why not and how do you think the standards could be improved?

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Question 2: What's working well?



What parts of the standards, guidance or templates have been working well?

Are there any that have been particularly useful?

We want you to tell us which parts of the standards are working well. For example:

- Which parts do you think are most helpful for understanding an entity's activities and why do you think these parts are helpful?
- Did you find the additional guidance or the templates helpful in applying these parts of the standards and why were they helpful?

The more specific your feedback, the better we will be able to understand your response.

Question 3: What's not working well?



Are there any specific issues that you have encountered in applying the standards, guidance, or templates?

We want to know which parts of the standards you think aren't working well and how you think they could be improved. For example:

- Are there any parts of the standards that are difficult to understand or which you don't think provide useful information?
- Why is that part difficult to understand or not useful?
- How do you think the issue should be addressed?
- Do you think the issue could be resolved with additional guidance or do you think there is an issue with the requirements in the standards?

Again, it's important to be as specific as possible so that we can form a clear understanding of your issue and the best way for us to address it.

Is there any other information the NZASB needs?

We want to hear any other feedback you have on applying the standards.

If you have developed any customised guidance to help people apply the standards, we would love to see a copy. You can send us your guidance by email to submissions@xrb.govt.nz. Any non-public documents you send us will remain confidential and will not be included as part of your comments.

How can I give my feedback?

There are three ways you can give us feedback.

You can:

- (a) complete our [online survey](#);
- (b) fill out the [online feedback form](#); or
- (c) send us a [written submission](#).

You can choose to answer all of the questions or only those that are most relevant to you.

What are the next steps?

The next steps will involve the analysis of all submissions received. Based on this analysis the NZASB will determine the appropriate course of action.

This could include proposing amendments to the standards, changing the application guidance or reporting templates, or providing additional support.

If any changes are proposed to the standards, you will be given another opportunity to give your feedback before any amendments to the standards are made.

We are planning to issue a public feedback statement summarising the feedback we have received and the NZASB's planned actions in the second half of 2021.

An indicative timeline of the next steps in the process is shown below.

Where can I find more information?

More information on the PIR can be found on the [Review of Simple Format Reporting Standards](#) page on the XRB website, including the full RFI document, one page summaries, and a copy of the questions.

We need your feedback – submissions close on 31 March 2021.

