

# PBE FRS 47: FIRST TIME ADOPTION OF PBE STANDARDS BY ENTITIES OTHER THAN THOSE PREVIOUSLY APPLYING NZ IFRSs

## SCOPE

- PBE FRS 47 does not apply to entities that previously applied the NZ IFRS suites of standards (NZ IFRS PBE, NZ IFRS, NZ IFRS RDR or NZ IFRS Diff Rep);
- PBE FRS 47 applies to the first set of financial statements that contain an explicit and unreserved statement of compliance with PBE Standards.
- PBE FRS 47 applies to any interim financial statements for a period covered by those first financial statements that are prepared under PBE Standards

## GENERAL REQUIREMENTS

- **Select PBE accounting policies** - using either PBE Standards that are currently effective or one or more PBE Standards that are not yet effective, if those new PBE Standards permit early adoption.
- **Recognise/derecognise assets and liabilities** where necessary so as to comply with PBE Standards.
- **Re-measure** all recognised assets and liabilities applying PBE Standards.
- **Reclassify** items that the entity recognised under previous GAAP as one type of asset, liability or component of net assets/equity, but are a different type of asset, liability or component of net assets/equity in accordance with PBE Standards.

## RECOGNITION AND MEASUREMENT

### OPTIONAL EXEMPTIONS

- Note: CANNOT apply these by analogy to other items.**  
An entity may elect to use one or more of the following exemptions, which provide specific relief, on adoption of PBE Standards:
- Business combinations;
  - Fair value or revaluation as deemed cost;
  - Use of revalued amount as deemed cost for “event driven fair values” between transition date and date of the first PBE Standards reporting period.
  - Leases;
  - Employee Benefits
  - Cumulative translation differences;
  - Investments in controlled entities, jointly controlled entities and associates;
  - Assets and liabilities of controlled entities, associates and joint ventures;
  - Compound financial instruments;
  - Designation of previously recognised financial instruments;
  - Fair value measurement of financial assets/liabilities at initial recognition;
  - Decommissioning liabilities included in the cost of property, plant and equipment;
  - Financial assets or intangible assets accounted for in accordance with PBE FRS 45 - *Service Concession Arrangements: Operator*;
  - Borrowing costs;
  - Revenue from non-exchange transactions
  - Service concession arrangements: grantor
  - The effects of changes in foreign exchange rates; and
  - Intangible assets

### OPENING PBE STANDARDS STATEMENT OF FINANCIAL POSITION

- An opening PBE Standards Statement of Financial Position is prepared at the date of transition.
- All PBE Standards are applied consistently across all reporting periods in the entity’s first set of PBE Standards compliant financial statements (i.e. both the comparatives and the current reporting period).
- If a standard is not yet mandatory but permits early applications, an entity is permitted, but not required, to apply that Standard in its first PBE Standards set of financial statements.

### MANDATORY EXEMPTIONS

- PBE FRS 47 prohibits retrospective application in relation to the following:
- Estimates;
  - Derecognition of financial assets and financial liabilities; and
  - Hedge accounting;

### PRESENTATION AND DISCLOSURE

- A Tier 1 PBE entity’s first set of financial statements shall present at least three (Tier 2 PBE; two statements of financial position and two statements of comprehensive revenue and expense, two separate statements of financial performance (if presented), two cash flow statements and two statements of changes in net assets/equity, related notes and shall also include, in relation to the adoption of PBE Standards, the following:
- A reconciliation of net assets/equity reported under previous GAAP to net assets/equity under PBE Standards:
    - At the date of transition to PBE Standards.
    - At the end of the latest period presented in the entity’s most recent annual financial statements under previous GAAP.
  - A reconciliation of total comprehensive revenue and expense reported under previous GAAP to total comprehensive revenue and expense under PBE Standards for the entity’s most recent annual financial statements under previous GAAP.
  - Interim financial reports:
    - In addition to the reconciliations above, the entity is also required to provide:
      - A reconciliation of net assets/equity reported under previous GAAP to equity under PBE Standards at the end of the comparable interim period; and
      - A reconciliation of total comprehensive revenue and expense reported under previous GAAP to total comprehensive revenue and expense under PBE Standards for that comparable interim period and
      - Provide explanations of the transition from previous GAAP to PBE Standards.
  - Any errors made under the previous GAAP must be separately distinguished.
  - Additional disclosure requirements are set out in PBE FRS 47.

### ACCOUNTING POLICIES

- Use the same accounting policies in its opening PBE Standards statement of financial position and throughout all periods presented in its first PBE Standards financial statements.
  - Those accounting policies comply with each PBE Standard effective at the end of its first PBE Standards reporting period.
- Changes in accounting policies during first year of PBE Standards**
- If between the date of an entity’s interim financial reports (prepared in accordance with PBE IAS 34 - *Interim Financial Reporting*) and the issue of its first PBE Standards financial statements, and entity changes accounting policies and/or adopts exemptions:
- The requirements of PBE IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors* do not apply.
  - Update the reconciliation between PBE Standards and previous GAAP.

### TIER 2 RDR REPORTERS

RDR reporters are granted certain disclosure exemptions under PBE FRS 47.