



New *Framework* chapters: application by public benefit entities/not-for-profit entities

Purpose of this Paper

1. This paper discusses considerations pertinent to the Board's decision on whether its forthcoming two new *Framework* chapters on the Objective and Qualitative Characteristics should be applicable to public benefit entities/not-for-profit entities (PBEs/NFPs), and related due process considerations.

Staff Recommendations

2. AASB staff recommend that the new *Framework* chapters, when issued by the AASB, should be applicable to all reporting entities, with PBE/NFP guidance added to the extent necessary to address issues affecting PBEs/NFPs.
3. The PBE/NFP guidance could be reviewed and updated in the light of subsequent developments, such as the completion of Phase G of the IASB-FASB Conceptual Framework project and the completion of the IPSASB's Conceptual Framework.
4. The aspects on which PBE/NFP guidance should be added to the IASB *Framework* chapter on the Objective are to:
 - (a) repeat paragraph Aus15.1 regarding resource providers being interested in an entity's ability to achieve its non-financial objectives (quoted below paragraph 15 of this paper); and
 - (b) note the broader range of primary users of financial reports of PBEs/NFPs.
5. The cross-reference to SAC 2 *Objective of General Purpose Financial Reporting* in the existing AASB *Framework* should be excluded from the AASB *Framework* when the Objective chapter is added.
6. The PBE/NFP guidance, and the omission of SAC 2 from the AASB *Framework*, would not warrant public exposure.

Background

Introduction

7. The IASB is soon expected to issue chapters of its revised Conceptual Framework in respect of:
 - (a) The Objective of General Purpose Financial Reporting; and
 - (b) Qualitative Characteristics of, and Constraints on, Useful Financial Information.¹
8. The AASB has previously indicated that it will consider, on a case-by-case basis, whether new chapters in the AASB *Framework* should be applicable to PBEs/NFPs in advance of the IASB and FASB considering application of the new concepts by not-for-profit entities in Phase G of their Conceptual Framework project.

Existing AASB Framework

9. The *Framework for the Preparation and Presentation of Financial Statements* currently adopted in Australia uses the text of the IASB's *Framework*, with a limited number of Aus paragraphs added in respect of PBEs/NFPs. The New Zealand *Framework* also uses the text of the IASB's *Framework*, with the exception of the 'Purpose of the Framework' section, and adds text that elaborates on the IASB *Framework*, in some cases in respect of all entities, and in other cases in respect of PBEs/NFPs. In respect of all entities, the New Zealand *Framework* adds sections on non-financial and supplementary information (including prospective information and information about service performance) and on the elements of non-financial and supplementary information. Both the Australian and New Zealand *Frameworks* use the language of the IASB *Framework* (except for the limited added modifications mentioned above), which is written primarily with private sector businesses in mind.
10. Thus, the language used in the Australian and New Zealand *Frameworks* is similar to that used in the Accounting Standards incorporating IFRSs: that is, with limited modifications, it reflects an accent on private sector businesses. As with those Australian and New Zealand Standards, the Australian and New Zealand *Frameworks* have been interpreted by preparers, auditors and users of financial reports of PBEs/NFPs as if those *Frameworks*

¹ At their joint meeting on 17 – 21 May 2010, the IASB and FASB asked project staff to prepare a new ballot draft of these chapters.

had been written in language that takes account of those entities' circumstances and environment.

11. The IASB is revising chapters of its *Framework* as they are completed. This would be effected by deleting the affected paragraphs of the existing IASB *Framework* and replacing them with references to the new chapters. Those new chapters are being developed with a focus on business entities in the private sector. In Phase G of their joint Conceptual Framework project, the IASB and FASB will consider the applicability of the concepts in those chapters to other types of entity: in particular, PBEs/NFPs in the private sector.

AASB's Announced Policy

12. The Preface to each AASB Exposure Draft incorporating an IASB-FASB Conceptual Framework ED (see Appendix A for an example drawn from AASB ED 193) indicates that:
 - (a) the AASB will consider whether the proposed amendments to the AASB *Framework* should apply only to Australian for-profit entities, with the affected existing AASB *Framework* text retained for PBEs/NFPs as an interim measure; and
 - (b) any decision on this issue will be made by the AASB when the IASB finalises the relevant chapter of its new Conceptual Framework. If the new IASB *Framework* chapter is issued before the IASB and FASB consider the applicability of any new or revised concepts to PBEs/NFPs, the AASB's decision will be affected by whether the revised parts of the IASB *Framework* are substantially different from the relevant parts of its existing *Framework*.
13. The AASB and FRSB previously agreed to make this assessment on a chapter-by-chapter basis.
14. Implicit in the criterion in paragraph 12(b) is that substantial changes to the existing *Framework* would only affect the applicability of revised IASB *Framework* chapters to PBEs/NFPs if they create issues affecting PBEs/NFPs. Accordingly, the following discussion notes the Aus paragraphs in the existing AASB *Framework* and considers the

PBE/NFP concerns expressed by the AASB and FRSB in their submissions on the IASB-FASB ED on the Objective and Qualitative Characteristics.

Assessment of the Applicability of New *Framework* Chapters to PBEs/NFPs

Pertinent Aus paragraphs in the existing AASB Framework

15. The Aus paragraphs on the objective included in the existing AASB *Framework* are set out below. The AASB *Framework* does not include any Aus paragraphs in relation to the qualitative characteristics.

Aus14.1	A more detailed discussion [of the Objective] is provided in SAC 2 <i>Objective of General Purpose Financial Reporting</i> .
Aus15.1	In respect of not-for-profit entities, ownership groups and contributors of donations are generally not concerned with obtaining a financial return but are usually more interested in the ability of an entity to achieve its non-financial objectives, which in turn may depend upon the entity's financial position and financial performance.

16. SAC 2 was retained in the AASB *Framework* by cross-reference because it provides more extensive guidance than the Objective section of the IASB *Framework*, its guidance is sector-neutral (for example, it identifies the users of financial reports of PBEs/NFPs) and its retention does not create a risk of non-conformity with IFRSs or the IASB *Framework*.

Previous concerns with the applicability of the proposed concepts to PBEs/NFPs

17. In its submission on the IASB-FASB ED of draft chapters on the Objective and Qualitative Characteristics, the AASB argued that, if application of the proposed concepts were extended to PBEs/NFPs, the following amendments to the draft Objective chapter should be considered:
- (a) emphasising accountability/stewardship more in respect of PBEs/NFPs, and perhaps adding accountability/stewardship as a separate objective;
 - (b) reducing the emphasis on reporting information for assessing cash flows;
 - (c) broadening the reference in the objective to users making decisions in their capacity as capital providers; and

- (d) broadening the primary user group to:
 - (i) describe ‘present and potential capital providers’ as ‘present and potential funders and financial supporters’ or (even better) as ‘resource providers’, which category includes creditors, donors and other financial supporters;
 - (ii) include recipients of goods and services (including beneficiaries, such as community groups); and
 - (iii) include parties providing a review or oversight function (including, in respect of public sector not-for-profit entities, parliaments).

An extract from the AASB’s submission is set out in Appendix B.

- 18. The FRSB’s submission on the IASB-FASB ED included similar comments, except that it did not comment on the matters raised in paragraphs 17(c), 17(d)(ii) and 17(d)(iii).
- 19. Neither the AASB nor the FRSB raised PBE/NFP application issues in their submissions in respect of the proposed chapter on the Qualitative Characteristics. Accordingly, no PBE/NFP guidance is proposed in respect of that chapter.

Subsequent decisions by the IASB and FASB

- 20. After reviewing the submissions on their ED on the Objectives and Qualitative Characteristics, the IASB and FASB decided to give greater emphasis in the Objective chapter to providing information for assessing management’s performance (accountability). After the wording of the final *Framework* chapter on the Objective is available, staff will seek the views of Board members on whether the additional emphasis on accountability adequately addresses their concerns in the context of PBEs/NFPs.
- 21. Other post-ED decisions by the IASB and FASB have not substantially affected the concerns identified in the AASB’s submission. In relation to the AASB’s concern in paragraph 17(c), the Boards intend to use more inclusive language regarding the provision of information about how management has discharged its responsibilities, but the accent remains on providing information to primary users for making decisions relating to existing or potential interests in the reporting entity. Therefore, it seems likely that the AASB’s concern would not have been overcome.

AASB staff recommendations

22. Having regard to the concerns in the AASB's submission on the IASB-FASB ED (and subsequent developments) noted in paragraphs 17 – 21, AASB staff recommend that the new *Framework* chapters should be applicable to all reporting entities, with PBE/NFP guidance added to the extent necessary to address issues affecting PBEs/NFPs. This is because:
- (a) that approach would be consistent with the approach in the existing AASB *Framework* and in Australian Accounting Standards. In this regard, preparers, auditors and users of financial reports of PBEs/NFPs should be used to the expression in those documents being written primarily with private sector businesses in mind;
 - (b) the new IASB *Framework* chapters on the Objective and Qualitative Characteristics can readily be adapted for application by PBEs/NFPs by adding a limited amount of PBE/NFP guidance (there is no fundamental incompatibility between the new IASB *Framework* chapters and the needs of preparers, auditors and users of financial reports of PBEs/NFPs); and
 - (c) one of the key purposes of the AASB *Framework* is to inform decision making by the Board. If the Board were to grandfather for PBEs/NFPs the existing text of the AASB *Framework* in respect of the Objective and Qualitative Characteristics, that text would not faithfully reflect the concepts being used by the Board when it develops Accounting Standards. This is because, in keeping with the Board's commitment to transaction neutrality, the Board's starting point for analysing standard-setting issues would be the new *Framework* chapters, amended (explicitly or implicitly) to the extent necessary to address PBE/NFP issues.²
23. The PBE/NFP guidance could be reviewed and updated in the light of subsequent developments, such as the completion of Phase G of the IASB-FASB Conceptual Framework project and the completion of the IPSASB's Conceptual Framework. In that process, the language of the AASB *Framework* could be made more sector-neutral. In the

² Although the IASB-FASB ED on the Objective and Qualitative Characteristics indicates that the new *Framework* chapters will be applicable from a future date to be specified, from the AASB's perspective as a user of the new *Framework* chapters, in substance those chapters would be effective immediately.

meantime, making the limited PBE/NFP modifications proposed in this paper would leave users of the revised *Framework* no worse off than they are at present.

24. These recommendations are made within the context of the Board's announced intention to consider the applicability of new IASB *Framework* chapters on a chapter-by-chapter basis. For example, adopting the chapters on the Objective and Qualitative Characteristics for all reporting entities (with limited modifications for PBEs/NFPs) would not imply the IASB chapters on the elements of financial statements and measurement would necessarily be made applicable to PBEs/NFPs.
25. AASB staff recommend that the aspects on which PBE/NFP guidance should be added to the IASB *Framework* chapter on the Objective are to:
 - (a) repeat paragraph Aus15.1 regarding resource providers being interested in an entity's ability to achieve its non-financial objectives (quoted below paragraph 15 of this paper); and
 - (b) note the broader range of primary users of financial reports of PBEs/NFPs.
26. Because the IASB's Objective chapter will provide a comprehensive coverage of the objective of general purpose financial reporting, AASB staff recommends not to retain SAC 2 in the AASB *Framework* by cross-reference when the IASB's Objective chapter is adopted. If, as proposed above, the AASB adds guidance on the broader range of primary users of financial reports of PBEs/NFPs, an important aspect of SAC 2 would be retained in the revised AASB *Framework*.
27. An example of the PBE/NFP guidance referred to in paragraph 25 is set out in Appendix C. The text of such guidance is not the focus of this agenda item. Until the final text of the new IASB *Framework* chapters is known, there seems little point in crafting the words of that modification. At this stage, staff seek Board members' views on:
 - (a) whether to apply the new *Framework* chapters to PBEs/NFPs;
 - (b) whether draft PBE/NFP guidance should be developed;
 - (c) whether paragraph 25 appropriately identifies the aspects on which PBE/NFP guidance should be developed;

- (d) whether the cross-reference to SAC 2 in the existing AASB *Framework* should not be retained in the revised AASB *Framework*; and
- (e) the due process considerations relating to this paper's proposals.

FRSB's decisions

28. The AASB staff's recommendations are at variance with the decisions made by the FRSB at its meeting on 3 May 2010. The FRSB decided to retain the existing New Zealand *Framework* for PBEs/NFPs, based on the following conclusions:

- (a) significant modifications to the IASB's new chapters may be needed for application by PBEs/NFPs; and
- (b) undertaking a project to determine appropriate PBE/NFP modifications would be an unnecessary use of resources, given that:³
 - (i) the IPSASB is preparing a conceptual framework; and
 - (ii) the IASB will be considering the application of its *Framework* to PBEs/NFPs in a later phase of its Conceptual Framework project.

AASB staff's comments on the FRSB's conclusions

29. The AASB staff's recommendations are not expected to involve significant work in drafting PBE/NFP guidance. For example, the possible PBE/NFP guidance mentioned in paragraph 25 is quite limited.
30. In relation to the IPSASB's Conceptual Framework project (mentioned in paragraph 28(b)(i) as a reason for deferring modification of new IASB *Framework* chapters), the AASB's Preface to each ED incorporating an IASB Conceptual Framework ED simply provides background on that project and notes that the AASB "considers that it is important to engage in both the IASB-FASB and IPSASB conceptual framework projects". No commitment is made to considering the adoption of the IPSASB Conceptual Framework (fully or partially) for public sector PBEs/NFPs.

³ These reasons exclude New Zealand-specific considerations.

31. In the long term, it would be desirable for the IASB and IPSASB to reconcile their Conceptual Frameworks. To that end, the IPSASB could contribute to the consideration of the PBE/NFP application of the IASB *Framework* when the IASB and FASB undertake Phase G of their Conceptual Framework project. At this stage, however, the IPSASB has yet to finalise any components of its Conceptual Framework. There seems little point in deferring the application of a chapter of the IASB *Framework* to await the outcome of the IPSASB's project, particularly as it is not known how its Conceptual Framework will compare with the IASB *Framework*.

Due Process

32. AASB staff consider that, if the AASB decides to add PBE/NFP guidance to the IASB *Framework* chapters, and omits SAC 2 from the AASB *Framework*, those decisions would not warrant public exposure.
33. If PBE/NFP guidance is added on the aspects referred to in paragraph 25, the amended AASB *Framework* would not contain significant differences from the concepts applying to PBEs/NFPs in the existing AASB *Framework*. AASB staff also consider it would be premature to invite comment from constituents on wide-ranging issues affecting PBEs/NFPs, particularly when the IASB and FASB have yet to consider application of the concepts to not-for-profit entities.

Questions for Board members

- Q1** Do you agree that new *Framework* chapters on the Objective and Qualitative Characteristics should be applicable to all reporting entities?
- Q2** Do you agree that PBE/NFP guidance should be added to the new IASB *Framework* chapters to the extent necessary to address issues affecting PBEs/NFPs?
- Q3** Do you agree that such guidance should only be added to the Objective Chapter, and should (1) repeat paragraph Aus15.1; and (2) add a paragraph setting out the broader range of primary users of financial reports of PBEs/NFPs?
- Q4** Do you agree that SAC 2 should not be retained in the AASB *Framework* by cross-reference when the IASB's Objective chapter is adopted?

Q5 Do you agree that, if the Board decides to add PBE/NFP guidance on the aspects proposed in this paper, and to omit SAC 2 from the AASB *Framework*, these decisions would not warrant public exposure?

APPENDIX A

Extract from Preface to AASB ED 193 *Conceptual Framework for Financial Reporting: The Reporting Entity*

Not-for-Profit aspects of the Conceptual Framework

The AASB *Framework* applies to all Australian entities that prepare general purpose financial statements. As noted above, the IASB has decided to consider the applicability to not-for-profit entities of the various amendments it makes to the IASB framework in a later phase of its project. Therefore, there are implications for the AASB *Framework* arising from the IASB's plan to finalise parts of its new framework before it has considered the applicability of any new or revised concepts to other types of entities. ...

The AASB plans to consider how to incorporate any amendments to the existing IASB framework into the AASB *Framework*. The AASB's preliminary view is that, until such time as the IASB considers the applicability of any new or revised concepts to other types of entities, it may be necessary to limit the applicability of those new or revised concepts to for-profit entities. The New Zealand Financial Reporting Standards Board (FRSB) has the same preliminary views. In other words, if the IASB proceeds with replacing the relevant parts of the existing framework when work on Phase D is completed, then the AASB will consider whether those amendments should apply only to Australian for-profit entities, with the existing AASB *Framework* retained for not-for-profit entities, as an interim measure. Any decision on this issue will be made by the AASB when the IASB finalises the chapter on reporting entity, and will be affected by:

- whether the IASB proceeds with its plan to replace parts of its existing framework before considering the applicability of any new or revised concepts to other types of entities; and
- whether the revised parts of the IASB's framework are substantially different from the relevant parts of its existing framework, upon which the AASB *Framework* is based.

APPENDIX B

Extract from AASB Submission on IASB Exposure Draft on the Objective and Qualitative Characteristics

“AASB’s Comments on Implications of the Proposed Concepts if They Were Applied to Not-For-Profit Entities

The Proposed Objective of Financial Reporting

Accountability

The AASB is of the view that, if application of the proposed objective were extended to not-for-profit entities, accountability/stewardship may need to be emphasised more in respect of those entities, and consideration should be given to whether accountability or stewardship should be added as a separate objective. In this regard, the AASB agrees with the comments of the International Monitoring Group (NSS-4) on the Not-For-Profit Entity Implications of the IASB-FASB Conceptual Framework Project in its Report on the Exposure Draft entitled *A Report on the Application to Not-for-profit Entities in the Private and Public Sectors of the IASB/FASB Conceptual Framework Project’s Exposure Draft ... and Discussion Paper ...* (July 2008).

Many users of financial reports of not-for-profit entities will not have the same ability to make decisions in their capacity as capital providers as occurs for private sector businesses, and will sometimes be interested in financial reports primarily to assess the accountability of the entity’s management.

For some not-for-profit entities, if the objective of financial reporting were only to provide information useful for making decisions in a capacity as a capital provider, requiring financial reports to be prepared could not be justified, because there is little demand for their financial reports by those who make such decisions about the entity and cannot command the preparation of financial reports tailored to meeting their particular information needs. However, there is much greater support for requiring those entities to prepare financial reports to demonstrate their accountability.

Information for assessing the entity’s future cash flows

The AASB agrees with the comments of the NSS-4 Not-For-Profit Monitoring Group that, if application of the proposed objective were extended to not-for-profit entities, the Exposure Draft’s emphasis on reporting information for assessing cash flows would need to be reduced.

Although cash flows are important for not-for-profit entities (including, for public sector not-for-profit entities, information about budgeted cash flows), other aspects are generally more significant. These aspects include:

- (a) the ability of the entity’s available resources to deliver future goods and services;
- (b) the quality, cost and effectiveness of goods and services that have been delivered in the past; and

- (c) how well the entity is meeting its objectives, which are not primarily cash-related.

Many assets of not-for-profit entities are held to provide future goods and services without necessarily generating future cash inflows. The AASB acknowledges that not-for-profit entities need cash inflows to carry out their activities and that entities that are more effective in achieving the objectives specified for them are more likely to continue to attract cash inflows. However, the nexus between particular assets of not-for-profit entities and future cash inflows may often be so indirect and difficult to determine that treating those entities' assets as potential sources of future cash inflows (and measuring the assets on that basis, for example by recognising impairments) is unlikely to be practicable or useful to users.

Decisions by users in their capacity as capital providers

The AASB is of the view that if application of the proposed objective of financial reporting were to be extended to not-for-profit entities, the reference in the objective to users making decisions in their capacity as capital providers would be too narrow, because users of financial reports of not-for-profit entities would also be interested in:

- (a) whether to vote for an increase in the entity's capacity to provide services to beneficiaries, having regard to the entity's reported assets;
- (b) whether to vote for a change in the entity's management, having regard to reported information about the efficiency and effectiveness of the entity's service-delivery activities; or
- (c) whether to make a donation to the entity. (Although decisions about whether to make donations are not unique to not-for-profit entities, they tend to be much less significant in respect of private sector businesses.)

Primary user group

The AASB largely agrees with the comments of the NSS-4 Not-For-Profit Monitoring Group that when the revised *Framework* addresses not-for-profit entities, the primary user group needs to be amended to include a reference to present and potential funders and financial supporters (the not-for-profit entity equivalent of present and potential capital providers). However, the AASB prefers the term 'resource providers', which includes creditors, donors and other financial supporters.

In addition, because some users of financial reports of not-for-profit entities will lack the capacity to make decisions in their capacity as capital providers, the AASB is of the view that information useful for present and potential capital providers (and their not-for-profit entity equivalents) is unlikely to be a proxy for the common information needs of all users of financial reports of not-for-profit entities. Therefore, the AASB agrees with the comments of the NSS-4 Not-For-Profit Monitoring Group that the primary users of financial reports of not-for-profit entities should also include recipients of goods and services (including beneficiaries, such as community groups). The AASB also considers that parties providing a review or oversight function (including, in respect of public sector not-for-profit entities, parliaments) should be identified as primary users.

In summary, the AASB is of the view that the primary users of financial reports of not-for-profit entities should be identified as:

- (a) resource providers (including creditors, donors and other financial supporters);
- (b) recipients of goods and services (including beneficiaries, such as community groups); and
- (c) parties performing a review or oversight function.

The AASB observes that these classes of primary users are neutral between all sectors, and therefore recommends their adoption for all entities once the IASB considers not-for-profit entities in the Conceptual Framework project.

Suggestion for using more neutral expression

As noted above, the AASB is responsible for developing a conceptual framework applicable to all Australian reporting entities, regardless of the sector in which those entities operate. Its approach has been to add to the IASB *Framework* text for entities not addressed by that *Framework*, but only to the extent necessary. It would assist the AASB and other national standard setters adopting or converging with the revised *Framework* if the expression used in the revised *Framework* were as sector-neutral as possible. For example, it would be helpful if the revised *Framework* were to refer to capital providers as ‘primary users’ after the initial discussion of capital providers. This would avoid the need for national standard setters to make numerous amendments to the expression ‘capital providers’.”

APPENDIX C

Illustration of PBE/NFP guidance that could be added to the new chapters of the IASB *Framework* on the Objective and Qualitative Characteristics

- C1. This Appendix provides an example of the PBE/NFP guidance that could be developed to modify the new chapters of the IASB *Framework* for application to PBEs/NFPs (see the boxed text at the end of this Appendix). It explains why the staff proposes to add PBE/NFP guidance in respect of some concerns raised in the AASB and/or FRSB submissions on the IASB ED, and not in respect of other concerns. It also comments on the appropriateness of adding to those new chapters the ‘NZ paragraphs’ in the current New Zealand *Framework*.

Concerns raised in submissions regarding the applicability of the proposed concepts to PBEs/NFPs

- C2. As noted in paragraph 17 of the staff paper, the AASB’s submission on the IASB-FASB ED of draft chapters on the Objective and Qualitative Characteristics argued that, if application of the proposed concepts were extended to PBEs/NFPs, the following amendments to the draft Objective chapter should be considered:
- (a) emphasising accountability/stewardship more in respect of PBEs/NFPs, and perhaps adding accountability/stewardship as a separate objective;
 - (b) reducing the emphasis on reporting information for assessing cash flows;
 - (c) broadening the reference in the objective to users making decisions in their capacity as capital providers; and
 - (d) broadening the primary user group to:
 - (i) describe ‘present and potential capital providers’ as ‘present and potential funders and financial supporters’ or (even better) as ‘resource providers’, which category includes creditors, donors and other financial supporters;
 - (ii) include recipients of goods and services (including beneficiaries, such as community groups); and

- (iii) include parties providing a review or oversight function (including, in respect of public sector not-for-profit entities, parliaments).

C3. The FRSB's submission made similar comments on some of these issues.

Staff's recommendations regarding which of these concerns warrant PBE/NFP guidance

- C4. The concerns raised in (a) and (b) above relate to the degree of emphasis given to particular aspects. At this stage of the IASB-FASB project, staff consider it unwarranted to re-balance the emphasis given to those aspects. There seems no harm in waiting until Phase G of the Conceptual Framework project is completed. Therefore, the staff does not propose adding PBE/NFP guidance on these matters.
- C5. The concern raised in (c) above would seem to be adequately addressed at this stage by repeating paragraph Aus15.1 from the current AASB Framework.
- C6. The concern raised in (d) above should be addressed by adding a paragraph noting the broader range of primary users of financial reports of PBEs/NFPs.

PBE/NFP guidance in the current New Zealand Framework

- C7. The current New Zealand *Framework* has much more extensive PBE/NFP guidance ('NZ paragraphs') in relation to the Objective than does the AASB *Framework*. These NZ paragraphs:
- (a) discuss in some detail additional user groups (funders or financial supporters; and elected or appointed representatives) and their information needs (paragraph NZ9.1);
 - (b) discuss in specific terms the accountability information needs of users and what needs to be disclosed to discharge accountability (paragraphs NZ14.1 and NZ14.2); and
 - (c) discuss at length the provision of non-financial and supplementary information (such as prospective information and information about service performance) to assist in meeting the objective of financial statements (paragraphs NZ20.1 – NZ20.8). This raises issues about the scope of financial reporting.

- C8. The draft PBE/NFP guidance set out below covers much more briefly the guidance mentioned in paragraph C7(a). This is in keeping with the proposed goal of making the PBE/NFP guidance as brief as possible, until a more appropriate time to provide more extensive guidance.
- C9. Until the wording of the IASB Framework chapter is known, there seems little point in drafting possible guidance on accountability, as that aspect might be covered adequately in that chapter. The other aspect of paragraph C7(b)—what needs to be disclosed to discharge accountability—seems not to belong in a chapter on the Objective. Therefore, it also is excluded from the example PBE/NFP guidance below.
- C10. Regarding paragraph C7(c), AASB staff would not consider it appropriate to add guidance relating to the scope of financial reporting in PBE/NFP guidance on the Objective. Therefore, the example PBE/NFP guidance below does not include text corresponding to the NZ paragraphs mentioned in paragraph C7(c).

Example of additional guidance for PBEs/NFPs

Primary users of financial reports of not-for-profit entities include resource providers (including creditors, donors and other financial supporters), recipients of goods and services (including beneficiaries, such as members of the community) and parties performing a review or oversight function (including elected or appointed representatives, such as members of parliament).

In respect of not-for-profit entities, ownership groups and contributors of donations are generally not concerned with obtaining a financial return, but are usually more interested in the ability of an entity to achieve its non-financial objectives, which in turn may depend upon the entity's financial position and financial performance.