



**CA ANZ, 2018 b**

# **A Special Purpose Financial Reporting Framework for use by For-Profit Entities (SPFR for FPEs)**

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*Designed for use in New Zealand by  
Small and Medium Sized Entities*

2018



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# Introduction

## Design principles

A *Special Purpose Financial Reporting Framework for use by For-Profit Entities (SPFR for FPEs)* is an optional set of self-contained guidelines designed to assist in the preparation of single entity, historical, special purpose financial reports (SPFR) for small and medium sized for-profit entities (SMEs).

*SPFR for FPEs* is less complex than New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). *SPFR for FPEs* does not constitute generally accepted accounting practice (GAAP) as defined in section 8 of the *Financial Reporting Act 2013* and paragraph 4 of Standard XRB A1 *Application of the Accounting Standards Framework*. The accounting principles forming the basis for *SPFR for FPEs* are intended to be the most appropriate for the preparation of SME financial statements based on the needs of financial statement users and cost-benefit considerations.

*SPFR for FPEs* is issued by Chartered Accountants Australia and New Zealand (CA ANZ). It has been endorsed by and is the result of extensive consultations with a Working Group comprising representatives from the major banking institutions, Inland Revenue and CA ANZ members.

## Application

This is a SPFR framework for use by for-profit SMEs. It is by no means the only SPFR framework that can be used in the preparation of single entity historical financial statements SPFR.

The use of *SPFR for FPEs* is optional. Those responsible for an entity's financial reporting may opt to use *SPFR for FPEs* to prepare its financial statements. In determining the most appropriate basis of preparation to ensure an accurate record of financial position and financial performance, consideration should be given to information that will be required by the intended users of the financial statements.

## Key features of *SPFR for FPEs*

The key features of *SPFR for FPEs* that make it appropriate for use by SMEs are:

- (a) Historical cost is the primary measurement basis;
- (b) Disclosures are less complex than NZ IFRS, while still providing users with relevant information;
- (c) Recognition and measurement methods are simple and straightforward;
- (d) Adjustments needed to reconcile tax return income are reduced;
- (e) Reporting guidelines are principle-based and can be applied across various industry sectors;
- (f) For more complex transactions entities can step up to NZ IFRS for the accounting treatment of those complex transactions whilst still asserting compliance with *SPFR for FPEs*;
- (g) Financial statements prepared in accordance with *SPFR for FPEs* meet the Inland Revenue minimum financial reporting requirements;
- (h) Financial statements prepared in accordance with *SPFR for FPEs* can be audited; and
- (i) Implementation guidance, in the form of illustrative financial statements for various sectors of the New Zealand economy, is provided as a companion to *SPFR for FPEs*.

## Section 3 Financial statement presentation

### Purpose and scope of section

- 3.1 This section sets out the general principles for presentation of financial statements in accordance with *SPFR for FPEs*.
- 3.2 “Financial statements” are the statements prepared by an entity to communicate information about its financial performance and financial position. Notes and schedules that are needed to clarify or further explain items disclosed form an integral part of the financial statements.
- 3.3 The presentation requirements of this section and accompanying illustrative financial statements distinguish between:
- core components, which are required to assert compliance with *SPFR for FPEs*; and
  - non-core components, which are not required to assert compliance with *SPFR for FPEs*.

### Whole set of financial statements

- 3.4 A whole set of financial statements of an entity shall include the following:

#### Core components (required)

- Balance sheet as at the balance date – Section 4 *Balance sheet*;
- Statement of profit or loss for the reporting period – Section 5 *Statement of profit or loss*; and
- Notes to the financial statements – Section 7 *Notes to the financial statements*
- Statement of changes in equity for the reporting period. This may be included either as a primary financial statement or in the notes to the financial statements – Section 6 *Statement of changes in equity*.

#### Non-core components (optional)

- Statement of cash flows for the reporting period. No guidance on the preparation of a Statement of cash flows has been provided in *SPFR for FPEs*. Entities wishing to prepare a Statement of cash flows should step up to NZ IAS 7 *Statement of Cash Flows*.

- 3.5 An entity may use titles for the financial statements other than those used in *SPFR for FPEs* (eg statement of financial position, statement of financial performance) as long as they are used consistently throughout the financial statements and are not misleading.

### Disclosure of compliance

- 3.6 An entity that prepares its financial statements in accordance with *SPFR for FPEs* should disclose the basis for preparation and its compliance with *SPFR for FPEs* in the notes to the financial statements.
- 3.7 Where due to its nature, complexity or materiality a transaction, other event or condition is outside the scope of *SPFR for FPEs*, and the entity has stepped up to NZ IFRS, the entity shall provide the following note disclosure:
- that the entity has complied with *SPFR for FPEs*, except that it has stepped up to NZ IFRS for a particular transaction, other event or condition;
  - the reason for stepping up; and
  - identification of the applicable NZ IFRS that has been applied instead and whether application of that NZ IFRS is in full or partial.
- 3.8 Where an entity has departed from *SPFR for FPEs* other than to step up to NZ IFRS, preparers must refrain from using misleading terms such as ‘complies with CA ANZ SPFR framework, except for ...’, or ‘complies with *SPFR for FPEs*, except for ...’.