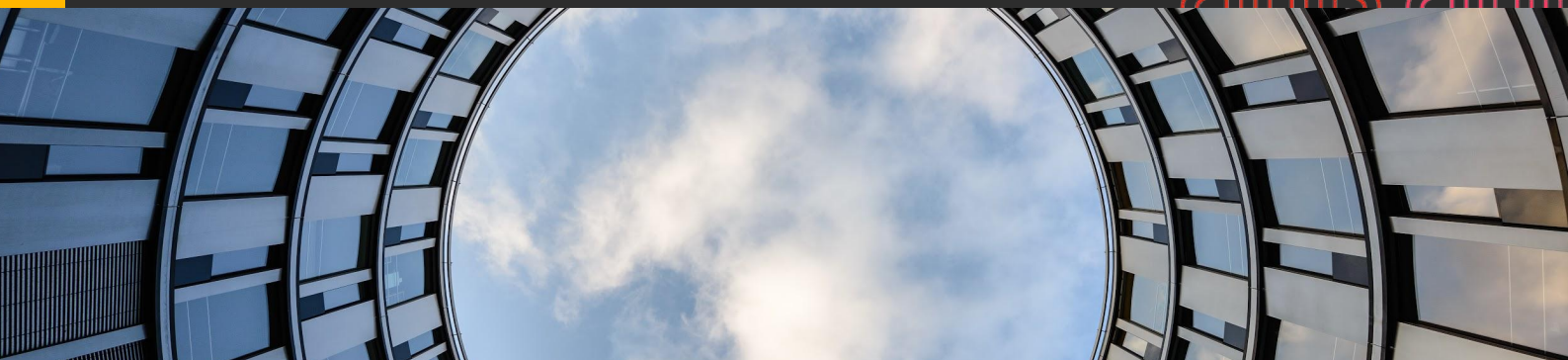


In Brief: Changes to statutory reporting and audit size thresholds



At a glance

The thresholds for determining which entities are considered 'large' or 'medium size' for financial reporting purposes have been adjusted in line with inflation. The adjustments came into force on 1 January 2022.

What's the issue?

The Financial Reporting (Inflation Adjustments) Regulations 2021 increased the size thresholds used to determine which entities are considered 'large' or 'medium' size in the the Financial Reporting Act 2013, Charities Act 2005, Companies Act 1993 and Friendly Societies and Credit Unions Act 1982. This increase may affect whether entities are required to prepare financial statements, have their financial statements audited or reviewed, and whether to file them.

'Large' companies are required to prepare and, in some cases, file audited financial statements with the Companies Office within five months of their balance date.

Likewise, 'large' charitable entities must have their financial statements audited, while 'medium sized' charitable entities must have their financial statements either audited or reviewed.

The changes are effective from 1 January 2022. From that date, when assessing whether a company or charity is 'large' or 'medium' size (as applicable), the new thresholds will need to be applied to the two previous accounting periods.

An entity that was previously considered 'large' may no longer be 'large' if at its balance date after 1 January 2022, its total assets or total revenue (or both) in one or more of the two previous accounting periods does not exceed the new thresholds (but exceed the old thresholds).

The changes to the definition of 'large' or 'medium' do not impact an entity's requirement to keep accounting records or prepare special purpose financial statements (for example, those required to meet Inland Revenue minimum financial reporting requirements).

Additionally, 'FMC Reporting Entities' and listed companies will still need to comply with the financial reporting rules that they are governed by.

Key changes

A **New Zealand incorporated company** will be deemed to be 'large' if, at the balance date of each of the two preceding accounting periods, its:

- total assets (including the assets of its subsidiaries (if any)) exceed **\$66 million** (previously \$60 million); or
- total revenue (including the revenue of its subsidiaries (if any)) exceeds **\$33 million** (previously \$30 million).

A **branch of an overseas company or a subsidiary of an overseas company** will be deemed to be 'large' if, at the balance date of each of the two preceding accounting periods, its:

- total assets (including the assets of its subsidiaries (if any)) exceed **\$22 million** (previously \$20 million); or
- total revenue (including the revenue of its subsidiaries (if any)) exceeds **\$11 million** (previously \$10 million).

A **charitable entity** will be deemed to be:

- 'large' if, in each of the two preceding accounting periods, its total operating expenditure (including the total operating expenditure of all entities it controls) is **\$1.1 million** or more (previously \$1 million).
- 'medium' in respect of an accounting period if it is not 'large' and in each of the two preceding accounting periods, its total operating expenditure (including the total operating expenditure of all entities it controls) is **\$550,000** or more (previously \$500,000).

Need more information?

If you wish to discuss this or any other financial reporting related matter, please contact your usual PwC contact or one of the following financial reporting specialists:



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