

CHANGE TO ACCOUNTING POLICY

There will need to be a change in accounting policy note in the financial statements only where schools are accounting for a provision for cyclical maintenance for the first time.

The suggested wording for a change in accounting policy note is as follows:

"The school has changed its accounting policies to recognize as a liability the cyclical maintenance obligation the Board has as a result of the property occupancy document agreement between the Board and the MOE. Previously the obligation was not recognized as a liability. The change has been made to comply with FRS-15: Provisions Contingent Liabilities and Contingent Assets. 2002 is the first year of application of the FRS. The effect of the change is to increase non-current liabilities by \$168,00 and reduce public equity by \$168,000".

The approach to be taken to measuring the provision from 2002 onwards does not represent a change in accounting policy for those schools that already have a provision. Rather, it is a change in the way the provision is calculated.

For all schools the provision for cyclical maintenance will need to be recorded in the Statement of Financial Position appropriately classified as a current or non-current liability or where appropriate split between the two. The current liability should equate to that amount of the cyclical maintenance provision that is planned to be expensed within the next 12 months. See the illustrative example at paragraphs A4.14 to A4.30.

For schools that are recognizing the provision of cyclical maintenance in their financial statements for the first time in 2001, the transitional provisions of FRS15 require an adjustment against opening equity. In the Statement of Movements in Equity, the opening equity will be adjusted for the amount of the provision for cyclical maintenance as it would have been calculated at 31 December 2000. An example of how this adjustment will be shown in the Statement of Movements in Equity is:

	2001	2000
	\$	\$
Equity at the start of the year	xx	xx
Adjustment for the opening provision for cyclical Maintenance	<u>xx</u>	
Amended equity at the start of the year	xx	xx

For all schools there will need to be a note to the financial statements about the provision for cyclical maintenance. That note will need to comply with FRS-15 paragraphs 11.1 and 11.2. An example of the information to be provided in that note is:

Sets of textbooks held by the school are recorded as fixed assets. The initial purchases of sets are capitalized, and the replacement of lost or damaged books within these sets are expensed through the Statement of Financial Performance.

Assets are recorded at their historic cost and are not revalued.

Minor equipment, loose tools and other assets with individual values under \$500.00 are not capitalized. They are expensed through the Statement of Financial Performance for each period.

Land and Buildings owned by the Crown are detailed in the Statement of Resources and are occupied by the Board on a basis of a property occupancy document/agreement.

Changes in Accounting Policy

*The Otumoetai Intermediate has changed its accounting policies as follows:
In accordance with the requirements of FRS.3 Accounting for Property, Plant and Equipment, the Intermediate now records textbooks as fixed assets. Previously textbooks were expensed in the year of their purchase. Existing holdings of textbooks have been capitalized at their depreciated purchase cost. The effect of the change this year is to increase the value of assets as 1 January 2002 by \$7,557 and increase public equity by \$7,557. During 2002 \$18,883 of textbooks, which would previously have been expensed on purchase, were capitalized as fixed assets.*