ASB ACCOUNTING STANDARDS BOARD

JULY 2026

HIGHLIGHTS

Read about the Board’s decisions and deliberations on 2 July 2026

The changes assist preparers to evaluate when a principal-agent arrangement exists and the Standard applied. This includes more guidance explaining the elements of a principal-agent arrangement. Significant judgements made by preparers should be disclosed.

Amendments to Accounting by Principals and Agents approved

The Board approved the final amendments to GRAP 109 on *Accounting by Principals and Agents.* No changes were made to the definitions and principles in the Standard and provide additional guidance on how to better undestand and apply the Standards.

Guidance was added in the following areas:
What is a binding arrangement?

- Binding arrangements create enforceable rights and obligations for the principal and agent. The nature of these rights and obligations is different for principals and agents.
- A binding arrangement can exist through three mechanisms - contracts, legislation (including regulations, decisions by authorities, ministerial orders), and/or operation of law. A combination of mechanisms may establish the rights and obligations of the parties in a principal-agent arrangement.
- If and how a binding arrangement exists is a matter of judgement.
- When an arrangement is modified, preparers should assess whether it remains a principal-agent arrangement.

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Changes to GRAP 109 continued

When is there a principal-agent arrangement?

- First assess if the arrangement meets the definition of a principal-agent arrangement before applying GRAP 109.
- Substance over form is applied regardless of legal labels or legal opinions.
- The “direction” from the principal to the agent may arise from the rights and obligations in the binding arrangement, and need not be an active instruction.
- A single binding arrangement may cover multiple activities, but not all activities or transactions will necessarily be principal-agent arrangements.
- The arrangement should be analysed at the level of each activity, transaction, or group of similar transactions.
- Clarifiy that the principal’s rights and obligations are substantive, while the agent’s rights and obligations are generally protective or administrative.

Improved structure and guidance

- New headings and sub-headings to make the assessment clearer and consolidate guidance on similar topcis.

Enhanced disclosure requirements

- Introduce a disclosure objective to better explain what information is needed to meet users’ needs.
- A cross reference to GRAP 2 is included.
- Disclose significant judgements made in analysing a principal-agent arrangement.

The next step is for the Minister of FInance to approve an effective date for the implementation of the amendments.

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