Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Exposure Draft PBE IPSAS 47 *Revenue*

Proposed new revenue standard for Tier 1 & Tier 2 public benefit entities

This fact sheet summarises the core concepts of the ED PBE IPSAS 47 Revenue. It is not a substitute for the proposed Standard.

The proposed PBE IPSAS 47 aims to provide a robust framework for revenue recognition by enhancing consistency and transparency. It seeks to future-proof revenue accounting by ensuring that the principles remain relevant as revenue arrangements evolve, equipping public benefit entities (PBEs) with a structured approach to assessing complex transactions. The proposals align with both the IPSASB Standard and the for-profit NZ IFRS 15 *Revenue from Contracts with Customers*, enabling PBEs to apply up-to-date international guidance and making reporting easier for mixed groups.

The proposed PBE IPSAS 47 *Revenue* would supercede PBE IPSAS *9 Revenue from Exchange Transactions*, PBE IPSAS 11 *Construction Contracts*, and PBE IPSAS 23 *Revenue from Non-Exchange Transactions*. The ED proposes that PBE IPSAS 47 *Revenue* be applied for annual financial statements covering periods beginning on or after 1 January 2029.

PBE IPSAS 47 is a single standard for revenue accounting with **two accounting models**:

- Revenue from transactions ***without*** binding arrangements (par. 17-55)
- Revenue from transactions ***with*** binding arrangements (par. 56-161)

Definition – A ***binding arrangement*** is an arrangement that confers both rights and obligations, enforceable through legal or equivalent means, on the parties to the arrangement.

A key judgement may be whether or not a revenue transaction arises from a binding arrangement.

Enforceability - The definition of a binding arrangement is underpinned by the principle of enforceability (par 12 and AG14-AG25). An arrangement is enforceable if it includes:

a) clearly specified rights and obligations for at least two of the parties to the arrangement; and

b) remedies for non-completion by each of these parties which can be enforced through the identified enforcement mechanisms.

Is there a binding arrangement?

No (*without*)

Recognise revenue:

- When (or as) any obligations are satisfied ***OR***
- Immediately, if no enforceable obligation.

Yes (*with*)

Aligned with the for-profit NZ IFRS 15

Recognise revenue when (or as) a ***compliance obligation*** is satisfied.

Definition – A ***compliance obligation*** is an entity's promise in a binding arrangement to either use resources internally for distinct goods or services or transfer distinct goods or services to a purchaser or third-party beneficiary. (par. 68-86 & AG43-AG62)

The revenue recognition approach for **transactions *with* binding arrangements** is based on NZ IFRS 15 — including the five-step model that has been adapted for PBEs. A liability (deferred revenue) is recognised at reporting date for any unsatisfied compliance obligations in respect of the inflow of resources received from the revenue transaction.

1. Confirm binding arrangement model criteria are met → 2. Identify compliance obligations → 3. Determine the transaction consideration → 4. Allocate the transaction consideration → 5. Recognise revenue

An entity measures revenue by determining the transaction consideration, which is the amount of the resources to which an entity expects to be entitled for satisfying the compliance obligation(s), and then allocates this amount to the identified compliance obligations.

For revenue **transactions *without* binding arrangements**, the ability to defer revenue recognition is based on the existence of enforceable obligations, which is in line with the PBE Conceptual Framework definition of a liability.

Revenue is measured at the amount of the increase in the entity's net assets (i.e. the consideration received or receivable).

Disclosure - The proposed PBE IPSAS 47 *Revenue* disclosure requirements align with NZ IFRS 15 and PBE IPSAS 23. The disclosure requirements aim to help users understand the nature, amount, timing, and uncertainty of revenue and related cash flows, while also providing disclosure concessions for Tier 2 PBEs. (par. 167-193)