XRB | Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Exposure Draft PBE IPSAS 48 *Transfer Expenses*

Proposed new transfer expense accounting standard for Tier 1 and Tier 2 public benefit entities

This fact sheet summarises the core concepts of ED PBE IPSAS 48 Transfer Expenses. It is not a substitute for the proposed Standard.

There is currently no PBE Standard addressing the accounting for transfer expenses. The proposed PBE IPSAS 48 aims to fill this gap in PBE Standards to enhance consistency and clarity in the accounting for transfer expenses.

The ED proposes that PBE IPSAS 48 be applied for annual financial statements covering periods beginning on or after 1 January 2029.

Definition of a transfer expense

An expense arising from a transaction, other than taxes, in which an entity (transfer provider) provides a good, service, or other asset to another entity (transfer recipient), without directly receiving any good, service, or other asset in return. Examples may include grants, donations and social welfare payments.

Key principles

The accounting for a transfer expense transaction is driven by whether the reporting entity (transfer provider) has an enforceable right to have the transfer recipient satisfy its obligations (transfer right). For one or more transfer rights to exist, there must be a ***binding arrangement.***

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

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.

The proposed PBE IPSAS 48 contains two accounting models – based on whether or not there is a binding arrangement

Is there a binding arrangement?

No (*without*) [para 18–20]

Recognise transfer expense:

- Upon recognition of a provision ***OR***
- If no provision, when control of resources is lost.

Refer to PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets* to determine whether a provision exists and whether it should be recognised. The provision would be measured in accordance with PBE IPSAS 19.

If there is no provision, the transfer expense is measured at the carrying amount of the transferred resources.

Note: *social welfare payments are accounted for as transactions without a binding arrangement when they meet the definition of a transfer expense.*

Yes (*with*) [para 21–43]

Recognise transfer expense:

- When (or as) a transfer right asset is derecognised ***OR***
- When a transfer obligation liability is recognised.

Depending on which party starts to satisfy its obligations under the binding arrangement first, recognise:

- a transfer right asset (when the transfer recipient still needs to satisfy its obligations) – measured at the total carrying amount of the resources which *have been* transferred; **OR**
- a transfer obligation liability (when the transfer recipient has satisfied its obligations, but the transfer provider still needs to transfer some or all of the resources) – measured at the total carrying amount of the resources which the entity *is obligated* to transfer.

Disclose quantitative and qualitative information about: [para 50–61]

- Transfer expenses and related balances;
- Transfer arrangements *(RDR concessions available for Tier 2 PBEs);* and
- Significant judgements, and changes in judgements, made regarding the recognition of transfer right assets from transfer expense transactions *(RDR concessions available for Tier 2 PBEs).*