

Proposed new accounting standard for transfer expenses

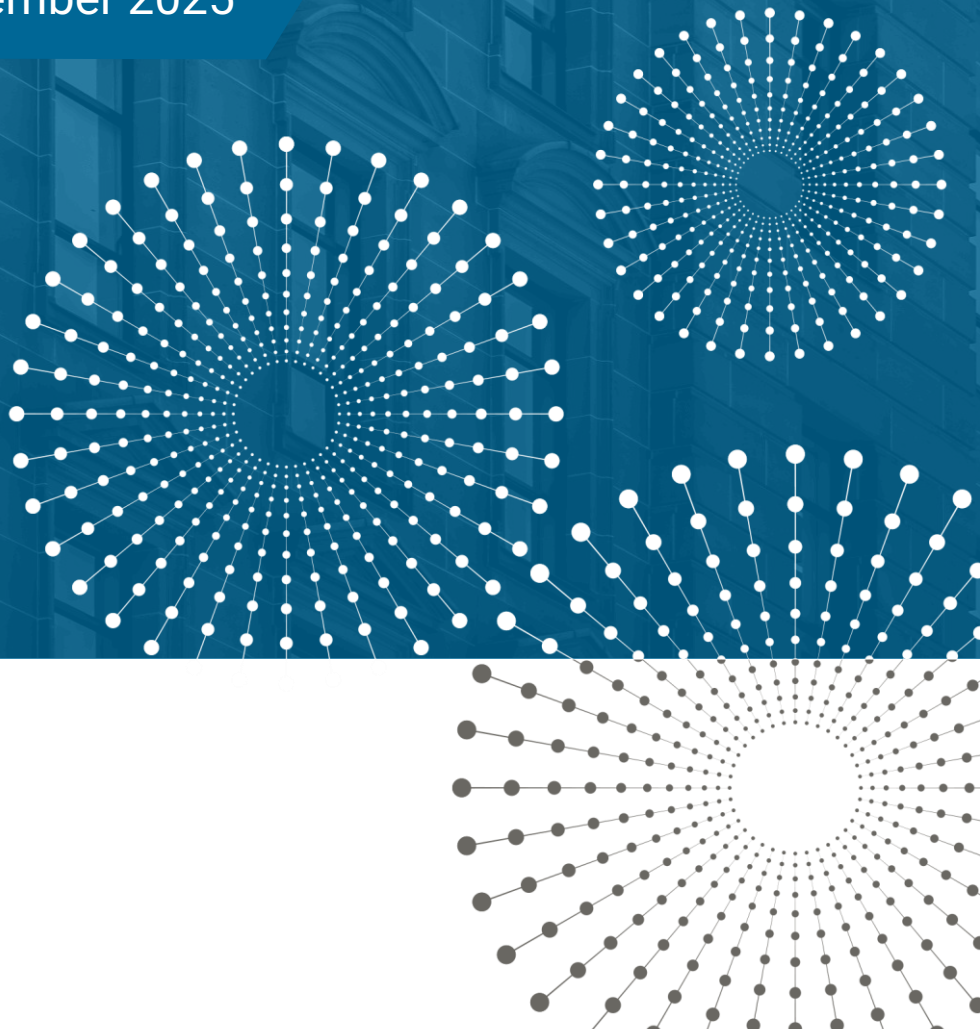
Tier 1 and 2 public benefit entities

Consultation document – PBE IPSAS 48 *Transfer Expenses*

Submissions close 1 December 2025



June 2025

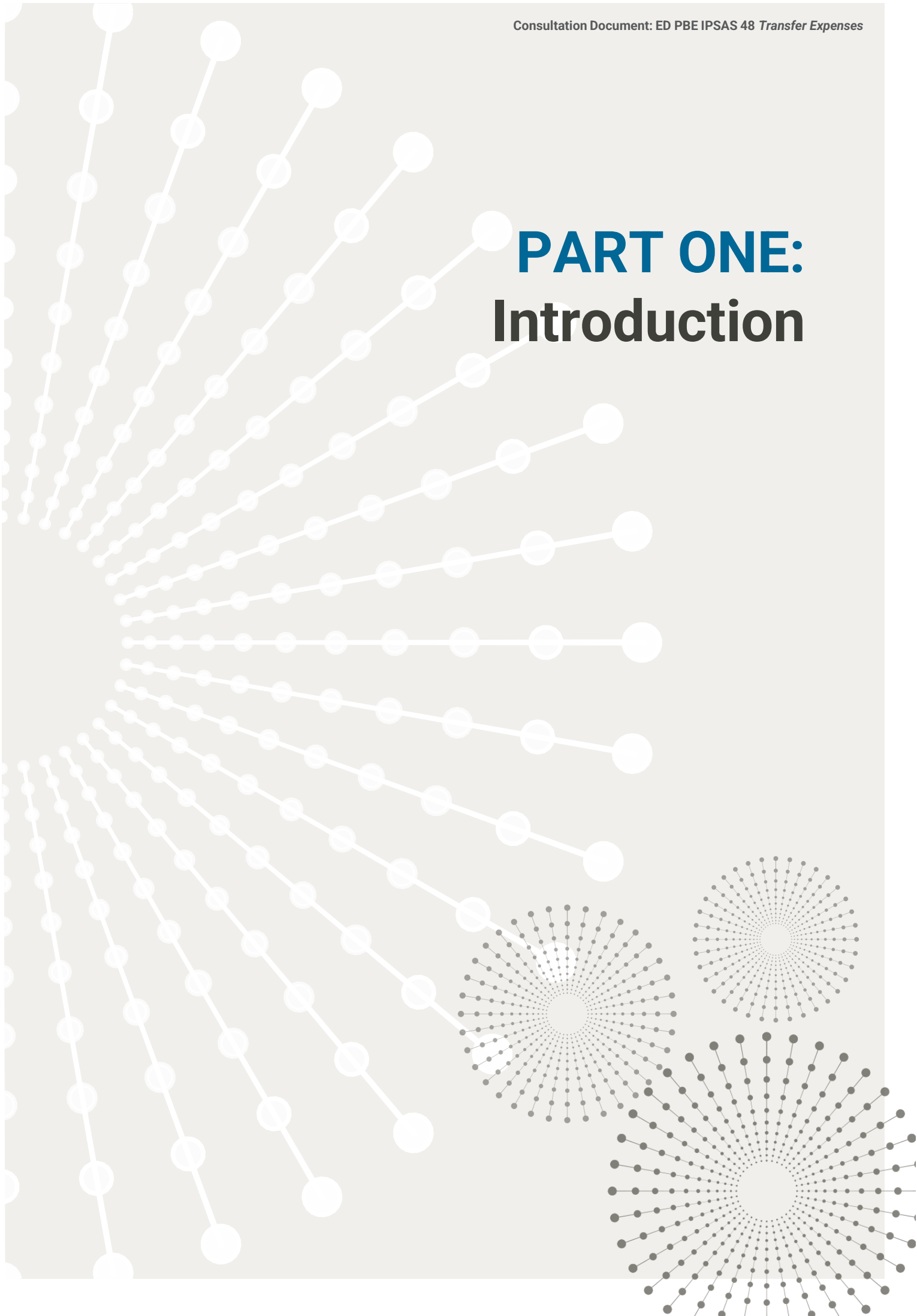




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PART ONE: Introduction





A. What is this consultation about?

For many public benefit entities, the making of grants and the delivery of services and social welfare payments to the public account for a significant portion of their expenditure.

This consultation is about a proposal to introduce a new Public Benefit Entity ('PBE') Standard for transfer expenses, with a proposed mandatory date of 1 January 2029. Our proposal is based on the International Public Sector Accounting Standards Board (IPSASB) standard IPSAS 48 *Transfer Expenses*. There is currently no PBE Standard addressing these types of transactions; the proposed standard aims to fill this gap in PBE Standards to enhance consistency and clarity in the accounting for transfer expenses.

What is a transfer expense?

A transfer expense is an expense arising from a transaction, other than taxes, in which an entity provides a good, service, or other asset to another entity, without directly receiving any good, service, or other asset in return.

Examples of expenses that could meet this definition include grants and donations in cash or other assets, as well as social welfare payments.

Background

In May 2023, the IPSASB issued IPSAS 48 *Transfer Expenses*. Prior to this, there had been little guidance in the IPSASB's literature on how to account for these expenditures. IPSAS 48 sets out the accounting requirements for transfer expenses and fills a significant gap in the IPSASB's literature.

IPSAS 48 sets out two accounting models, one for transactions with binding arrangements and another for transactions without binding arrangements. IPSAS 48 also contains comprehensive guidance for an entity to determine whether their transaction arises from a binding arrangement, and consequently, which accounting model to apply.

In New Zealand, PBE Standards for Tier 1 and Tier 2 PBEs are primarily based on IPSAS. When proposing to issue a new PBE Standard based on an IPSAS, the [New Zealand Accounting Standards Board](#) (NZASB) considers and seeks feedback on the need for New Zealand-specific amendments and/or guidance.

The accompanying [Exposure Draft \(ED\) PBE IPSAS 48 *Transfer Expenses*](#) is a draft of the proposed PBE Standard, which would be applicable to all Tier 1 and Tier 2 PBEs across the public and not-for-profit sectors.



Coherence

Certain key principles in the proposed PBE IPSAS 48 align closely with ED PBE IPSAS 47 *Revenue*. ED PBE IPSAS 47 is the proposed new standard replacing existing PBE Standards on revenue and is open for comment at the same time as ED PBE IPSAS 48. Together, these proposed standards ensure consistent recognition principles for both revenue and transfer expenses for PBEs. However, while the proposed PBE IPSAS 47 applies to all revenue transactions, the proposed PBE IPSAS 48 only applies to a certain type of expense (i.e., a transfer expense).

Additionally, the proposed standard reflects the updated PBE Conceptual Framework, particularly with respect to equally unperformed binding arrangements.

A note on IPSASB ED 72 *Transfer Expenses*

In 2020, we consulted in New Zealand on the IPSASB's ED on transfer expenses, which was released together with the IPSASB's EDs on revenue. ED 72 proposed the classification of transfer expenses based on whether the transfer recipient has at least one performance obligation. Concerns were raised, both internationally and from New Zealand stakeholders, on this key proposal.

When finalising IPSAS 48, the IPSASB decided to change focus to the transfer provider's perspective and to use binding arrangements as a fundamental concept for transfer expense accounting.



B. How to provide feedback

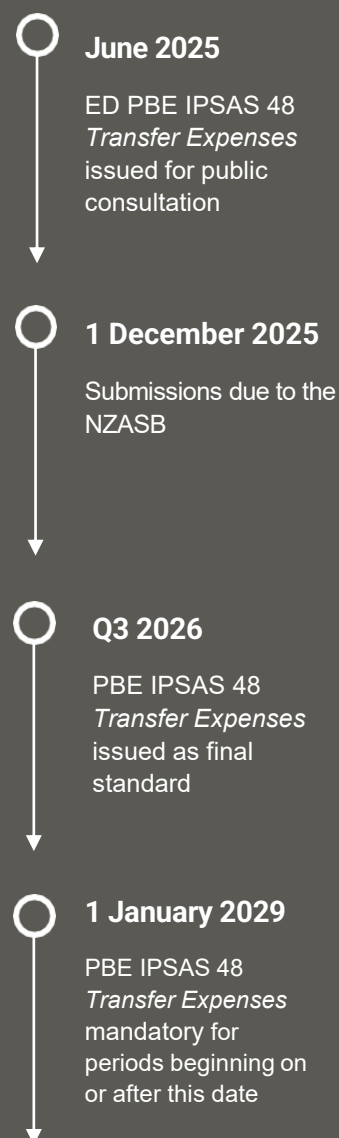
Responding to consultation questions

We are seeking comments on the questions raised in this Consultation Document. We will consider all comments received before finalising the proposals for PBE IPSAS 48 *Transfer Expenses*.

Please feel free to comment on any or all of the questions or any part of the proposed standard. We also welcome any feedback on any areas of the proposed standard not covered by the questions.

A dedicated [consultation page](#) provides information and guidance materials for reference.

Projected Timeline



Making a submission

You can provide feedback to us via:

- the [consultation page](#) on our website (where you can upload your comments); or
- emailing your formal or informal comments to accounting@xrb.govt.nz

Please include 'PBE IPSAS 48 *Transfer Expenses*' in the subject line and indicate whether the comments are made on your own behalf, or on behalf of a group of people, or an entity.

For further engagement, we invite you to join our consultation events. Please visit our [website](#) for further details.

The closing date for submissions is 1 December 2025.

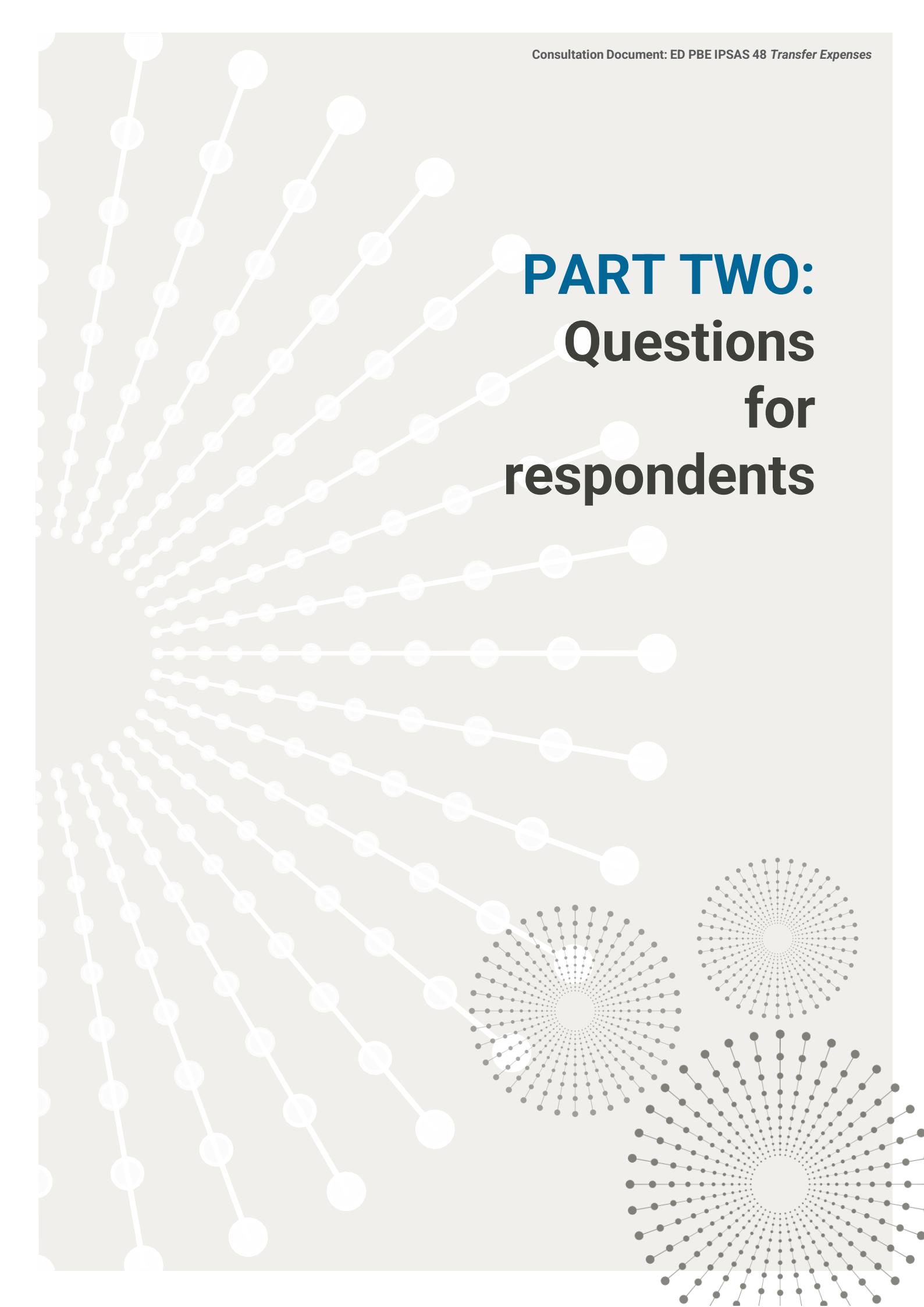
Invitation for field testing of PBE IPSAS 48

To ensure the proposed PBE IPSAS 48 meets the practical needs of PBEs in New Zealand, we invite preparers to participate in field testing the proposed standard. Field testing involves participants applying the proposals to the entity's transfer expense transactions in a simulated or parallel manner, separate from their actual financial reporting. Field testing will help identify potential challenges, provide insights into implementation, and assess the cost vs benefit impact of adopting the proposed PBE IPSAS 48.

If you are interested in participating or would like further details, please contact us at accounting@xrb.govt.nz

Publication of submissions, the Official Information Act and the Privacy Act

All submissions will be published on the XRB website unless confidentiality is requested. If you object to the release of any information in your submission, please identify the specific parts and the reasons under the Official Information Act 1982. We reserve the right not to publish defamatory submissions. Submissions are subject to the Official Information Act 1982 and the Privacy Act 2020. The XRB will handle personal information in line with these Acts.



PART TWO: **Questions for respondents**



C. Questions for respondents

The questions for respondents focus on the costs and benefits of implementing the proposed standard as well as the specific proposals within ED PBE IPSAS 48 (as discussed in Part 4 of this Consultation Document).

Benefit vs cost consideration (Section D)

- 1(a) What are the anticipated benefits of adopting the proposed PBE IPSAS 48 for your organisation? Please provide specific examples.
- 1(b) What are the anticipated initial and ongoing costs your organisation may incur in adopting the proposed PBE IPSAS 48? Please provide specific examples.
- 1(c) Considering the benefits and costs identified above, do you expect the benefits of adopting PBE IPSAS 48 to outweigh the costs for your organisation? Please explain your reasoning.

Key principles in transfer expense accounting (Section E)

2. Do the binding arrangement, enforceability and transfer right principles outlined in the ED provide sufficient clarity for practical application? What challenges, if any, do you anticipate in applying these principles in practice?

Recognition of transfer expense transactions (Section F)

3. Do you agree with the proposed approach to transfer expense recognition for transactions **with** binding arrangements? Are there any specific challenges you foresee in applying this approach?
4. Regarding the proposed approach to transfer expense recognition for transactions **without** binding arrangements:
 - (a) Do you agree with the proposed approach? Are there any specific challenges you foresee in applying this approach?
 - (b) Do you anticipate a change to the accounting for social benefit transactions as a result of applying the proposed approach? If so, how would the accounting change?
 - (c) Do you consider the proposed guidance, added to PBE IPSAS 19, to be sufficient to assist PBEs in determining whether they have a legal or constructive obligation at the reporting date?

Disclosure and RDR concessions (Section G)


5. Do you consider the disclosure requirements to be appropriate and proportionate to the needs of users of PBE financial statements?
6. Do you agree with the proposed reduced disclosure regime (RDR) concessions for Tier 2 PBEs?

Implementation and specific issues (Section H)

- 7(a) What challenges do you anticipate in implementing PBE IPSAS 48, including any specific transactions or scenarios where additional clarification may be needed?
- 7(b) What support or guidance would be most helpful to assist with these challenges?

Mandatory date and other comments (Section I)

8. Do you agree with the proposed mandatory date of 1 January 2029?
9. Do you have any other comments on the ED?



PART THREE: **Benefit vs cost consideration**

D. Benefit vs cost consideration

In this Part, we aim to provide an analysis of the anticipated costs and benefits associated with the implementation of the proposed PBE IPSAS 48. Understanding the financial and operational implications is crucial for us to make informed decisions when developing new accounting standards. Your feedback will be invaluable in ensuring that the proposed standard is both practical and beneficial for all parties involved.

Benefits of the proposals

The proposed PBE IPSAS 48 is expected to result in the following benefits:



Fills the current gap in PBE Standards: As noted in section A, there is currently no PBE Standard addressing the accounting for transfer expenses. This has led to diversity in practice across the public and not-for-profit sectors. The proposed new standard will allow for increased consistency in the reporting of transfer expenses, using the latest international thinking.



Guidance on challenging accounting issues: The proposed PBE IPSAS 48 contains guidance on how to apply the proposals to certain challenging issues currently experienced by PBEs – such as the impact of appropriations on the accounting for expenditure as well as the accounting for multi-year arrangements.



Consistency across the PBE sectors: The proposed PBE IPSAS 48 is applicable to both public sector and not-for-profit entities. Therefore, the proposed standard establishes a consistent framework for transfer expense recognition for all PBEs.



Coherence: As noted in section A, the core principles of the proposed PBE IPSAS 48 are consistent with those of the proposed PBE IPSAS 47 *Revenue*. This coherence is further supported by alignment with the updated PBE Conceptual Framework and other PBE Standards.

Costs of the proposals

The adoption of the proposed PBE IPSAS 48 is anticipated to incur the following costs:



Time and resource investment on adoption: As with any new accounting standard, there will be costs associated with familiarisation and adoption. Preparers, auditors and other stakeholders will need to invest time and resources into understanding and applying the new principles and guidance in the proposed PBE IPSAS 48. The majority of these costs are expected to be one-off expenses during the implementation phase, with ongoing costs for periodic training of new staff.



Judgement and resulting application costs: Inherently, accounting for transfer expenses may require significant judgement. PBE IPSAS 48 introduces new judgements, particularly during transition, as PBEs reassess existing and new arrangements. Complexity will vary by entity, with not-for-profit entities potentially facing greater challenges given potential resource constraints. While many of these costs are anticipated to be concentrated during the initial transition, ongoing expenses will likely persist as PBEs continually assess and apply the proposed standard to new or revised arrangements.

In conclusion: Adopting the proposed PBE IPSAS 48 in New Zealand is expected to enhance the quality and consistency of reporting on transfer expenses within the not-for-profit and public sectors. While the initial adoption may require effort and investment, the long-term benefits are expected to outweigh the costs.

Question 1

- What are the anticipated benefits of adopting the proposed PBE IPSAS 48 for your organisation? Please provide specific examples.
- What are the anticipated initial and ongoing costs your organisation may incur in adopting the proposed PBE IPSAS 48? Please provide specific examples.
- Considering the benefits and costs identified above, do you expect the benefits of adopting PBE IPSAS 48 to outweigh the costs for your organisation? Please explain your reasoning.



PART FOUR: **Overview of Proposals**



E. Overview of proposals

Summary

In Part 4, we highlight the key aspects of the proposals and those areas where we are particularly interested in your feedback. Part 4 is organised as follows.

- F. Key principles in transfer expense accounting
- G. Recognition of transfer expense transactions
- H. Disclosure and RDR concessions
- I. Implementation and specific issues
- J. Mandatory date and other comments.

Approach to developing PBE IPSAS 48

The proposed PBE IPSAS 48 is closely based on IPSAS 48. In accordance with its usual approach to developing a PBE Standard based on an IPSAS, the NZASB has:

- aligned terminology with that used in PBE Standards (for example, PBE Standards include the concept of other comprehensive revenue and expense);
- considered the need for any modifications to the IPSAS, to make the proposed standard more appropriate for PBEs in New Zealand, such as with respect to scope; and
- ensured coherence within PBE Standards by considering the existence of New Zealand-specific standards or requirements;
- identified reduced disclosure requirements for Tier 2 PBEs.



A significant modification to IPSAS 48 is the inclusion of social benefit transactions within the scope of the proposed PBE IPSAS 48. Refer to Basis for Conclusions paragraphs BC12–BC14 in the ED for information on the reasons for this modification. Sections G and H of this document highlight the application of the proposals to these types of transactions.

Terminology used in the proposed standard

In addition to the term ‘transfer expense’, the proposed PBE IPSAS 48 introduces several new terms into PBE Standards, which are discussed further throughout this document. Some of these new terms, noted in the table below, are similar, but not identical, to those used in the proposed PBE IPSAS 47 *Revenue*.

Transfer provider <i>(the reporting entity)</i>	<p>An entity that provides a good, service or other asset to another entity without directly receiving any good, service or other asset in return.</p> <p>The proposed PBE IPSAS 47 uses the term <i>resource provider</i>.</p>
Transfer recipient	<p>An entity that receives a good, service or other asset from another entity without directly providing any good, service or other asset to that entity.</p> <p>The proposed PBE IPSAS 47 uses the term <i>resource recipient</i>.</p>



F. Key principles in transfer expense accounting

The binding arrangement concept

Under the proposed PBE IPSAS 48, the accounting for a transfer expense transaction is driven by whether the transfer provider has an **enforceable right** to have the transfer recipient satisfy its obligations. Such an enforceable right is recognised as an **asset** and subsequently expensed as the enforceable right is extinguished. Effectively this results in a delay in expense recognition.

For a transfer right to exist, there must be a **binding arrangement**. This is because the rights and obligations in a binding arrangement, and its enforceability, provide the necessary basis for asset recognition.

Determining whether a binding arrangement exists is therefore a key judgement for PBEs, as it affects how the transaction is recognised, measured, presented and disclosed in the financial statements. As such, it is the first step in accounting for the transaction.

The ED describes this right as a 'transfer right'. The asset recognised for the existence of one or more transfer rights is described as a 'transfer right asset'.

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

Enforceability in a binding arrangement

The definition of a binding arrangement is underpinned by the principle of enforceability.

An arrangement is enforceable when at least two of the parties are able to enforce their respective rights and obligations through various mechanisms. An arrangement is enforceable if it includes:

- clearly specified rights and obligations for at least two of the parties to the arrangement; and
- remedies for non-completion by each of these parties which can be enforced through the identified enforcement mechanisms.

Refer to paragraphs 10–17 and Application Guidance paragraphs AG11–AG29 in the ED for further information on the binding arrangement and enforceability concepts, as well as the mechanisms of enforceability that PBEs should consider.

Transfer rights

Transfer rights provide the basis for the timing of recognition of transfer expenses arising from binding arrangements. Therefore, the reporting entity (transfer provider) must identify the number of distinct transfer rights in the binding arrangement in order to ensure appropriate transfer expense recognition when (or as) the transfer recipient satisfies its obligations.

Refer to paragraph 21 and Application Guidance paragraphs AG31–AG34 in the ED for further information on identifying transfer rights.

Question

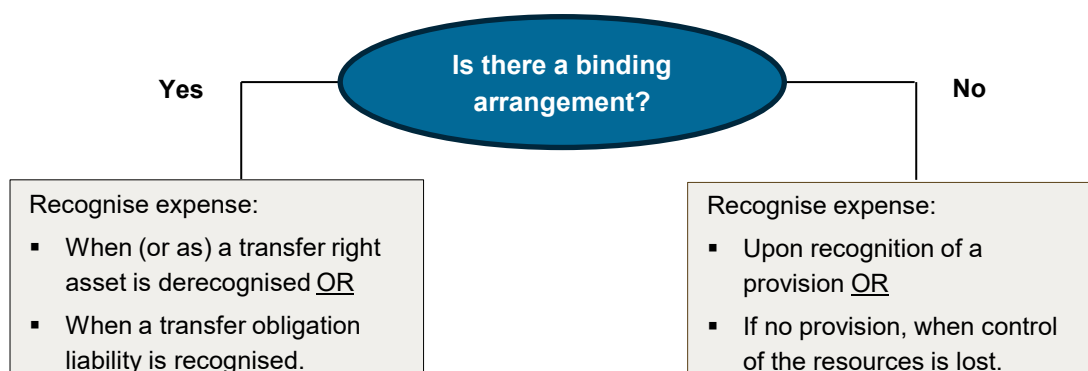
2. Do the binding arrangement, enforceability and transfer right principles outlined in the ED provide sufficient clarity for practical application? What challenges, if any, do you anticipate in applying these principles in practice?



G. Recognition of transfer expense transactions

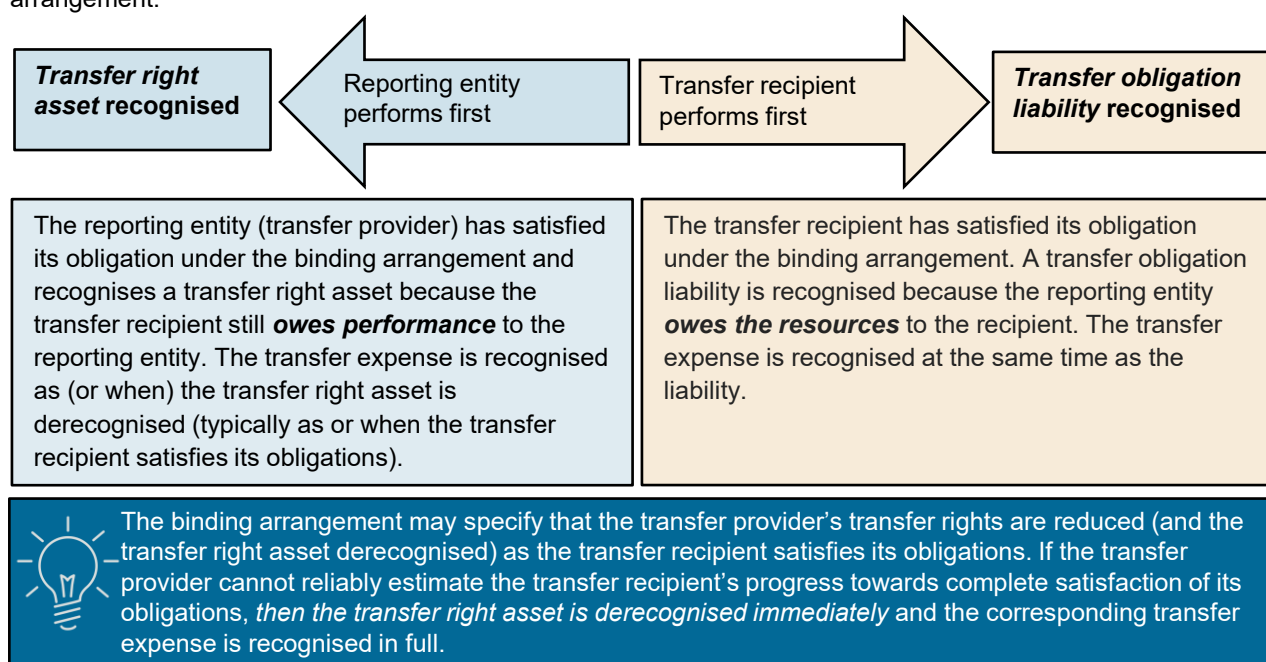
Two models for transfer expense accounting

Once a PBE has determined whether or not there is a binding arrangement, the PBE applies one of two models set out in the proposed PBE IPSAS 48:



Model 1: Transactions *with* binding arrangements

A transfer expense is recognised in one of two ways, depending on which party performs first under the binding arrangement.



Note: a transfer right asset may also be derecognised:

- if the transfer right asset is impaired (when the transfer recipient is unable/unwilling to satisfy its obligations); or
- when, in the event of the transfer recipient's non-performance, the transfer provider has the enforceable right to receive cash compensation (in this case, a financial asset is recognised).

Refer to paragraphs 22–29 and Application Guidance paragraphs AG35–AG49 in the ED for further information on the recognition of transfer expenses arising from binding arrangements.

Question

- Do you agree with the proposed approach to transfer expense recognition for transactions **with** binding arrangements? Are there any specific challenges you foresee in applying this approach?



G. Recognition of transfer expense transactions (cont.)

Model 2: Transactions *without* binding arrangements

Without a binding arrangement, there can be no transfer right. But a transfer provider may still have a legal or constructive obligation to transfer resources to one or more recipients. Therefore, the first step in the accounting for a transfer expense transaction without a binding arrangement is to determine whether a provision exists, as defined in PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets* and whether it should be recognised. A transfer expense is recognised at the same time as the provision.

If there is no provision, then the transfer expense is recognised when the transfer provider no longer controls the resources.

Refer to paragraph 18 and Application Guidance paragraph AG30 in the ED for further information on the recognition of transfer expense transactions without a binding arrangement.



Application of the proposed recognition requirements to social benefit transactions

Local and central government provide social welfare payments to beneficiaries as well as services such as education and health to individuals and communities (referred to as 'social benefit transactions'). These transactions are accounted for as transactions **without** a binding arrangement when they meet the definition of a transfer expense.

There is currently no PBE Standard that specifically applies to social benefit transactions. Therefore, central and local government entities have developed their own accounting policies when accounting for these transactions, based on the requirements within PBE IPSAS 19. Since the proposed Standard requires a transfer provider to consider first whether there is a provision under PBE IPSAS 19, we do not expect these proposals to result in a significant change in how these transactions are accounted for.

As a result of these proposals, we have also proposed consequential amendments to PBE IPSAS 19. These proposed amendments:

- remove the current scope exclusion relating to certain obligations of the Crown.
- add guidance to assist PBEs in determining whether, at the reporting date, they have a legal or constructive obligation to provide social welfare payments and services to individuals and communities.

Paragraphs 4.1–4.2 and Application Guidance paragraph AG3.1 in the ED contain guidance on the application of the proposed standard to social benefit transactions. Appendix B in the ED contains the proposed amendments to PBE IPSAS 19.

Question 4

Regarding the proposed approach to transfer expense recognition for transactions **without** binding arrangements:

- a) Do you agree with the proposed approach? Are there any specific challenges you foresee in applying this approach?
- b) Do you anticipate a change to the accounting for social benefit transactions as a result of applying the proposed approach? If so, how would the accounting change?
- c) Do you consider the proposed guidance, added to PBE IPSAS 19, to be sufficient to assist PBEs in determining whether they have a legal or constructive obligation at the reporting date?



H. Disclosure and RDR concessions

Disclosure

The proposed PBE IPSAS 48 requires a PBE to disclose sufficient information to enable the users of financial statements to understand the nature, amount, timing and uncertainty of expenses and cash flows arising from transfer expense transactions. Therefore, the PBE must disclose information about:

- transfer expenses and related balances;
- transfer arrangements; and
- the significant judgements, and changes in the judgements, made regarding the recognition of transfer right assets from transfer expense transactions.

Refer to paragraphs 50–61 in the ED for the proposed disclosure requirements.



Application of the proposed disclosure requirements to social benefit transactions

The proposed PBE IPSAS 48 does not include disclosure requirements specific to social benefit transactions. Instead, the disclosure requirements applicable to transactions **without** binding arrangements apply to these transactions. This will likely mean that more disclosure will be required in the financial statements relating to these types of transactions, particularly with respect to qualitative information about social benefit schemes. The proposed standard emphasises the need to apply materiality when deciding on the nature and extent of the disclosures to provide in the financial statements.

Question

5. Do you consider the disclosure requirements to be appropriate and proportionate to the needs of users of PBE financial statements?

RDR concessions

The proposed PBE IPSAS 48 includes disclosure concessions for Tier 2 PBEs. Tier 2 entities will *not* be required to provide the following disclosures:

- **Disclosure of significant payment terms** – refer to paragraphs 59(b) and 60(b) in the ED.
- **Significant risks and uncertainties relating to the realisation of transfer right assets** – refer to paragraph 59(d) in the ED.

The proposed standard also replaces certain existing paragraphs with RDR concessions, for the purposes of clarifying that Tier 2 PBEs are only required to comply with those disclosure requirements in other PBE Standards that are applicable to them. Refer to paragraphs 55–58 and RDR 55.1–RDR 58.1 in the ED.

Question

6. Do you agree with the proposed reduced disclosure regime (RDR) concessions for Tier 2 PBEs?

I. Implementation and specific issues



The proposed PBE IPSAS 48 introduces a comprehensive and robust framework for recognising and measuring transfer expenses. The proposed standard also aims to address common challenges faced in practice by providing guidance. Some of the key areas where the proposed standard provides specific guidance include:

- **Multi-year funding arrangements:** Clarifying recognition of transfer expenses where funding spans multiple reporting periods (Implementation Guidance Section G.1).
- **Appropriations:** Providing insights on recognising revenue from appropriations (Implementation Guidance Section B.3).
- **Capital transfers:** Addressing transfer expense recognition for resources intended for capital projects (Application Guidance paragraphs AG53–AG55 and Implementation Guidance Section A).

This guidance aims to reduce ambiguity and improve consistency across PBEs in how transfer expenses are reported. However, implementation of a new standard often raises questions or challenges, particularly during the transition period.

To ensure a smooth adoption of the proposed PBE IPSAS 48, we are seeking stakeholder feedback on any areas where further clarification or support might be needed.

Question 7

- What challenges do you anticipate in implementing PBE IPSAS 48, including any specific transactions or scenarios where additional clarification may be needed?
- What support or guidance would be most helpful to assist with these challenges?

J. Mandatory date and other comments

The ED proposes that PBE IPSAS 48 be applied to annual financial statements covering periods beginning on or after 1 January 2029. Application would be permitted for accounting periods that begin before 1 January 2029 but do not end before the amendments take effect (which is 28 days after the final amendments are issued).

We believe that a mandatory date of 1 January 2029 would allow PBEs sufficient time to prepare for the application of the Standard.

With early application permitted, those PBEs who wish to adopt PBE IPSAS 48 early will be able to do so.

Questions

- Do you agree with the proposed mandatory date of 1 January 2029?
- Do you have any other comments on the ED?