



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Need to Know series

Accounting update

Tier 1 and 2 public sector entities

Proposals for new revenue and transfer
expense accounting requirements

Thursday 26 June 2025

12:30pm – 1:30pm



External Reporting Board

Our purpose – Promoting trust and confidence, transparency and accountability through high-quality external reporting and assurance. We do this by establishing and maintaining robust frameworks and standards that are internationally credible and relevant to New Zealand.

Presenters

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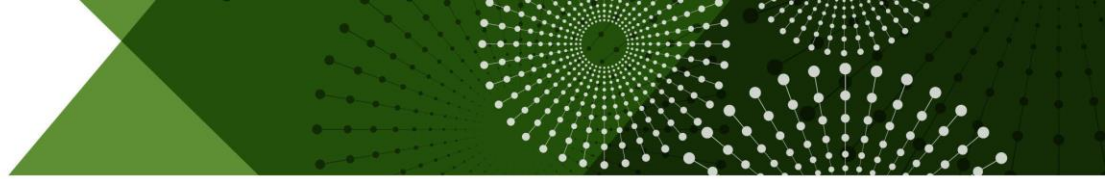
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Webinar slides and recording will be available on our website.

Presentation overview



- Project overview
- Binding arrangement principle
- ED PBE IPSAS 47 *Revenue*
- ED PBE IPSAS 48 *Transfer Expenses*
- Questions

Project overview

Proposed new revenue and transfer expense accounting requirements for Tier 1 and Tier 2 PBEs – *consultation period closes 1 Dec 2025*

[ED PBE IPSAS 47 Revenue](#)

[ED PBE IPSAS 48 Transfer Expenses](#)

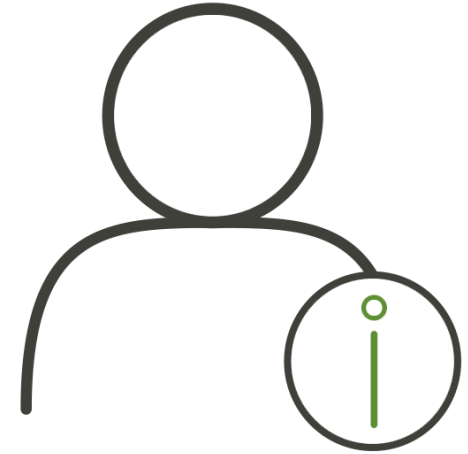
- Internationally aligned with IPSASB Standards
- Locally relevant for New Zealand PBEs
- Coherent key principles in both EDs



Educational guidance

Educational guidance and support

- Webcast with Ian Carruthers, IPSASB Chair;
- Revenue and transfer expense fact sheets;
- Webcasts which include overviews of:
 - The binding arrangement principle;
 - ED PBE IPSAS 47 Revenue; and
 - ED PBE IPSAS 48 *Transfer Expenses*.



The educational guidance and support has been prepared by staff of the External Reporting Board (XRB) for information or illustration purposes. It does not form part of the standards or authoritative publications issued by the XRB. It should not be used as a substitute for reading ED PBE IPSAS 47 Revenue and ED PBE IPSAS 48 Transfer Expenses, nor is it a substitute for professional accounting advice.

The binding arrangement principle



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*

Applies to both EDs

Enforceability

- Ability to enforce
- Enforceable through legal or equivalent means
- Compel completion or face consequences

Rights and obligations of the parties

- At least two parties
- Interdependent and inseparable
- At least one compliance obligation (revenue)

Watch our [Overview of the binding arrangement principle](#) webcast for a short summary.

Impact of appropriations on the binding arrangement assessment



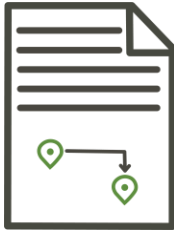
An appropriation is an authorisation granted by a legislative body (i.e. the enabling authority) to incur expenses or capital expenditure for the purpose specified by the legislature or similar authority

Consistent with NZ legislation, specifically the Public Finance Act 1989.

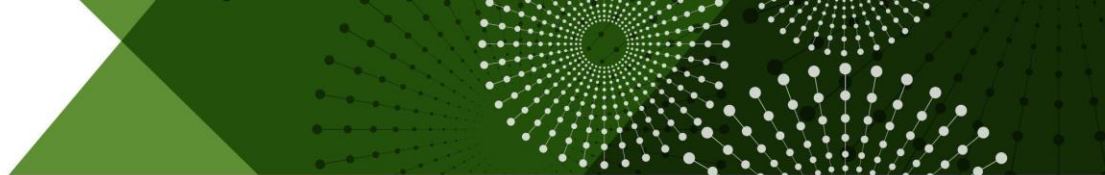


Relevant factor to consider in the assessment BUT does not prove nor refute the existence of **enforceability**.

Exposure Draft PBE IPSAS 47 Revenue



Current challenges



Current PBE Standards on revenue

- PBE IPSAS 9 *Revenue from Exchange Transactions*
- PBE IPSAS 11 *Construction Contracts*
- PBE IPSAS 23 *Revenue from Non-Exchange Transactions*

Issues previously noted in NZ

Difficulty in distinguishing between exchange and non-exchange transactions.

Difficulty in distinguishing between different types of stipulations in revenue arrangements (conditions and restrictions).

Concerns over the restrictive nature of PBE IPSAS 23.

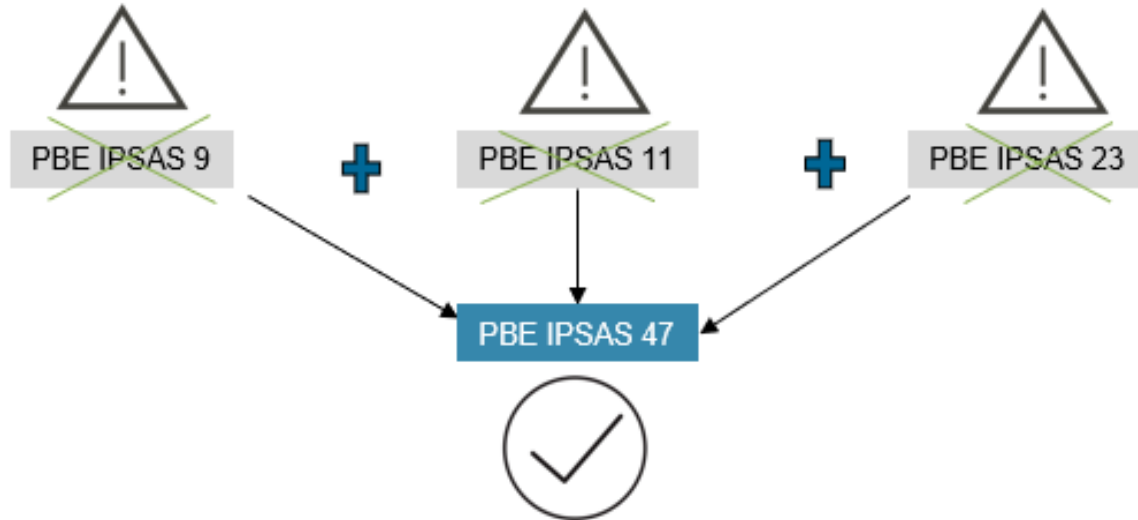
Lack of guidance on accounting for specific transactions.

Current challenges

Current PBE Standards on revenue

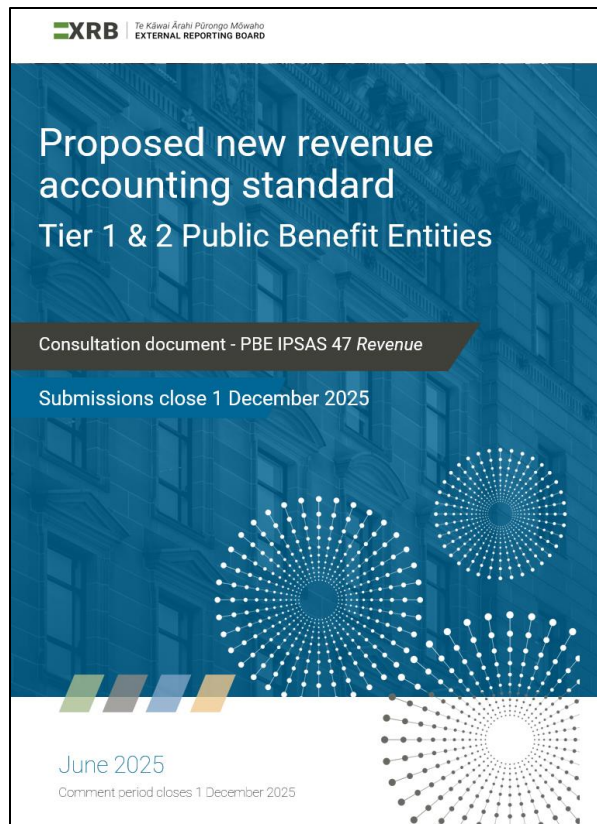
- PBE IPSAS 9 from Exchange Transactions
- PBE IPSAS 11 Construction
- PBE IPSAS 23 Revenue from Exchange Transactions

Issues previously noted in NZ



Lack of guidance on accounting for specific transactions.

Benefits of the proposals



Benefits of the proposals:



Information transparency and higher quality financial reporting



Increased comparability



Coherence



International alignment



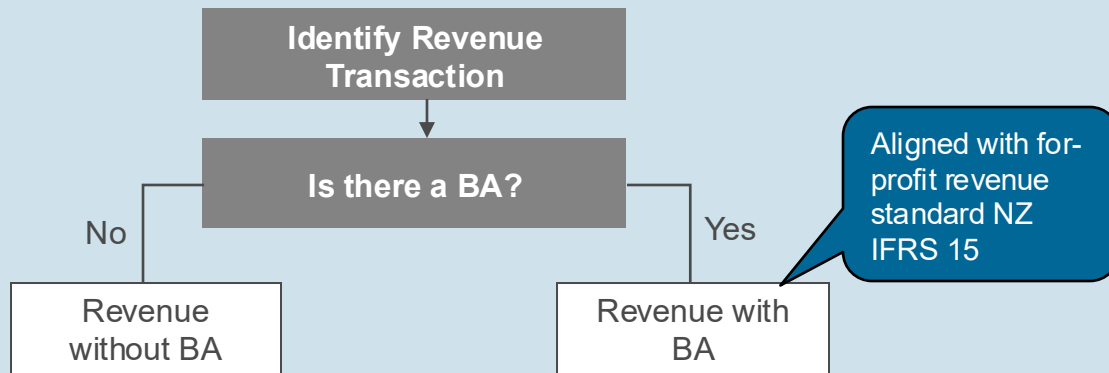
Easier reporting for 'mixed groups'

Exposure Draft

PBE IPSAS 47 *Revenue*

Key features:

- Single revenue standard
- Two accounting models
- Accounting depends on existence of a **binding arrangement (BA)**



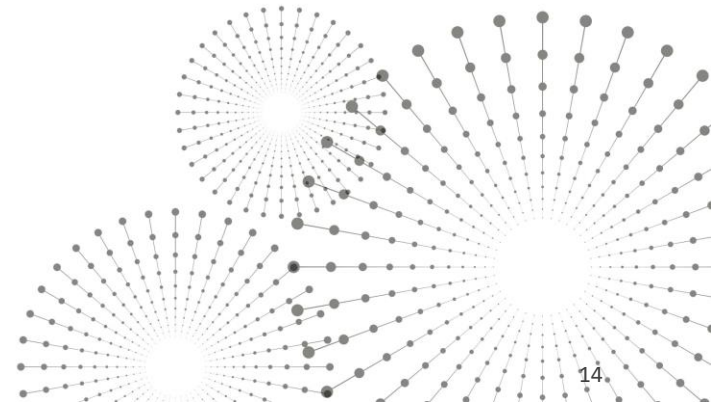
Revenue transactions require different accounting treatment depending on whether they involve a binding arrangement or not.

New terms:

- Resource provider and resource recipient
- Compliance obligations
- Binding arrangement asset and binding arrangement liability

Watch our [Overview of ED PBE IPSAS 47 Revenue](#) webcast for a summary of the key proposals.

Revenue from Transactions without Binding Arrangements

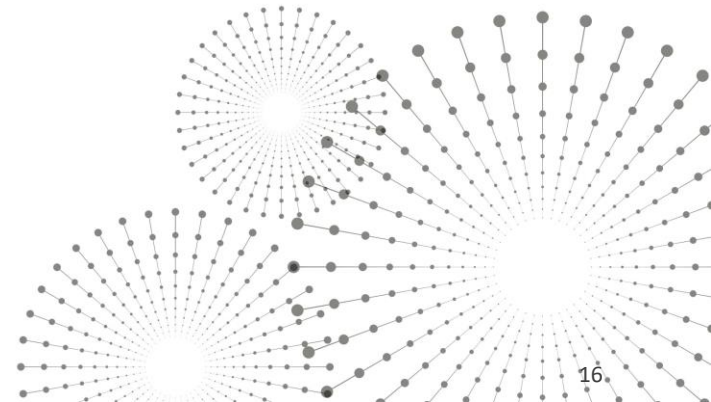


Recognition and measurement

Revenue WITHOUT BA	
Recognition	<ul style="list-style-type: none">• Recognise revenue when or as any obligations are satisfied• Recognise revenue immediately if no enforceable obligation• Recognise any right or obligation that meet the definition of an asset or liability, respectively
Measurement	<ul style="list-style-type: none">• Revenue at consideration received or receivable• Asset from inflow (or right to an inflow) of resources at transaction consideration• Liability at best estimate of settlement amount

Examples – Taxes, compulsory levies or fines etc.

Revenue from Transactions with Binding Arrangements



Compliance obligation

Compliance Obligation Definition:

An entity's promise in a BA to either use resources internally for distinct goods or services or transfer distinct goods or services to a purchaser or third-party beneficiary.

Compliance obligation definition is specific to revenue

Integral to the recognition of revenue with BA - drives the five-step revenue recognition model.

Step 1: Confirm binding arrangement model criteria are met

Step 2: Identify compliance obligations

Step 3: Determine the transaction consideration

Step 4: Allocate the transaction consideration

Step 5: Recognise revenue

Recognition and measurement

Revenue WITH BA

Recognition

- Recognise revenue when or as it satisfies compliance obligations
- Recognise any right or obligation that meet definition of an asset or liability, respectively

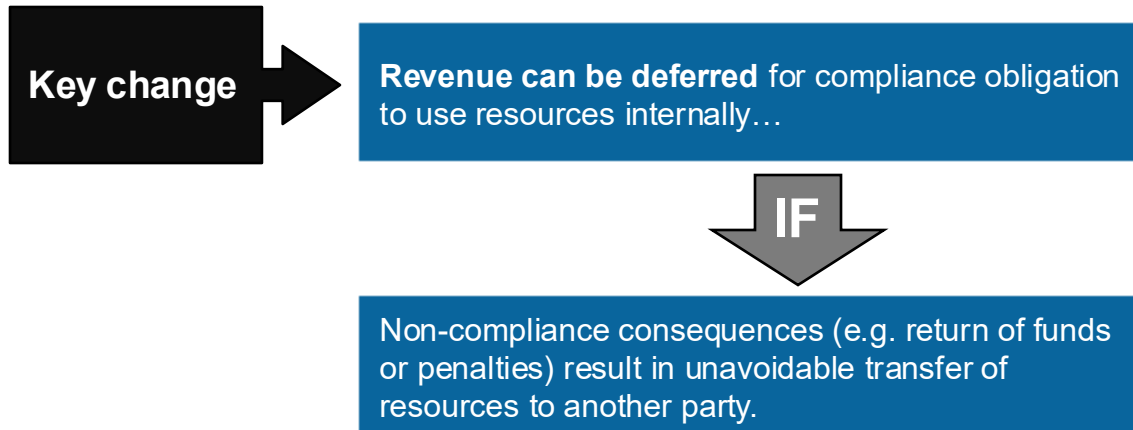
BA Assets and/or
BA Liabilities

Measurement

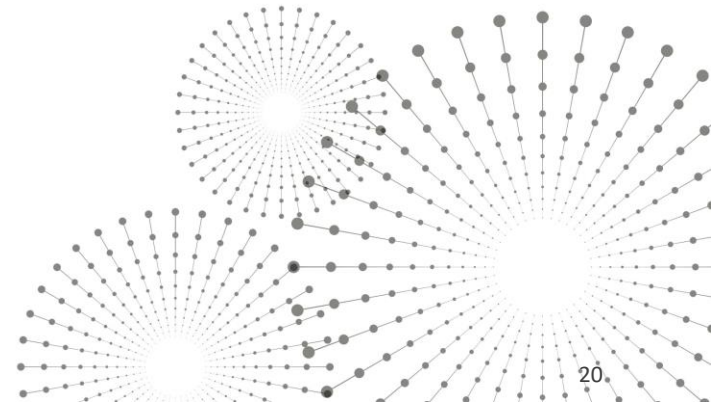
- Revenue at consideration received or receivable for completed compliance obligation (adjusted for effects of variable consideration, significant financing etc.)
- Asset from inflow (or right to an inflow) of resources at transaction consideration
- Liability at best estimate of settlement amount
- Multiple compliance obligations – proportion transaction consideration on a stand-alone value basis.

Examples – capital transfers, grant agreements with compliance obligations, service concessions etc.

Revenue deferral



Presentation and disclosure



Presentation and disclosure

Presentation

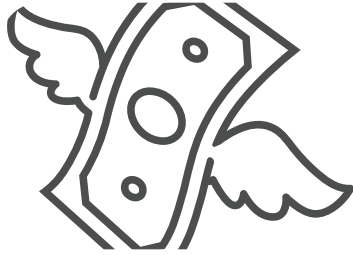
- Binding arrangement assets;
- Binding arrangement liabilities;
- Receivables – unconditional right to consideration;
- Revenue (per requirements in PBE IPSAS 1) and, on the face or in the notes, separate major revenue classes.

Disclosure

- Quantitative and qualitative information about nature, timing, amount and uncertainty of revenue and related cash flows;
- Aligns with for-profit NZ IFRS 15 & PBE IPSAS 23.

RDR concessions
for certain
disclosures

Guidance to address common challenges



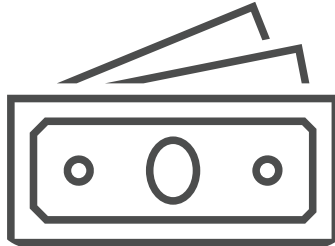
Capital transfers



**Multi-year funding
arrangements**



**56 illustrative
examples**



Appropriations



Services in-kind

Exposure Draft

PBE IPSAS 48 *Transfer Expenses*



What is 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

Benefits of the proposals



Benefits of the proposals:



Fills the current gap in PBE Standards



Guidance on challenging accounting issues



Consistency across the PBE sectors



Coherence

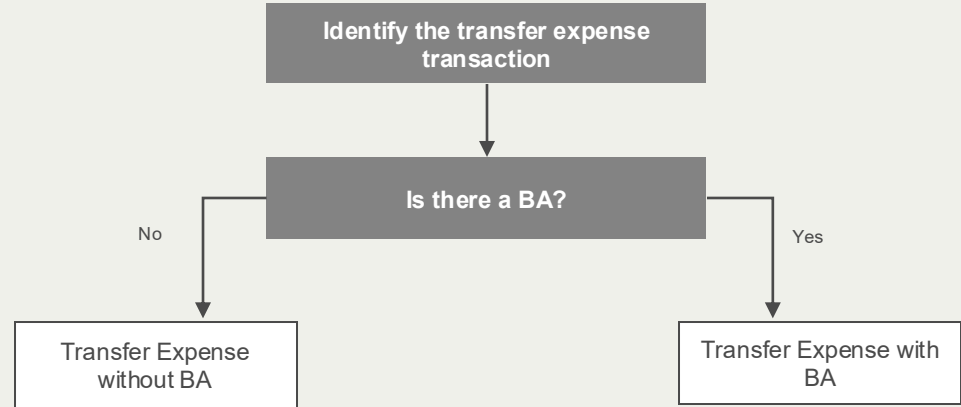


International alignment

ED PBE IPSAS 48 *Transfer Expenses*

Key features:

- Accounting for a transfer expense is driven by whether the reporting entity has an **enforceable right** to have the transfer recipient satisfy its obligations.
- Two accounting models based on the existence of a **binding arrangement (BA)**



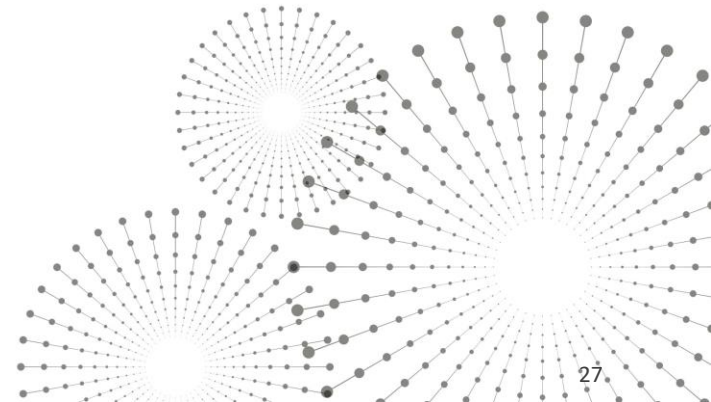
Transfer expense transactions require different accounting treatment depending on whether they involve a binding arrangement or not.

New terms:

- Transfer provider (the reporting entity) and a transfer recipient
- Transfer right and transfer obligation
- Transfer right asset and transfer obligation liability

Watch our [Overview of ED PBE IPSAS 48 Transfer Expenses](#) webcast for a summary of the key proposals.

Transfer expenses from transactions *with* binding arrangements



Identifying transfer rights

Distinct – enforced separately from other rights

Typically evident from negotiations

Basis for the timing of expense recognition

Aggregate rights if necessary

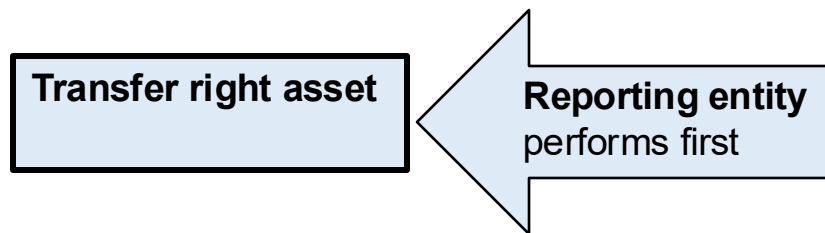
Binding arrangement may be a single transfer right



Examples include the ability to require the transfer recipient to

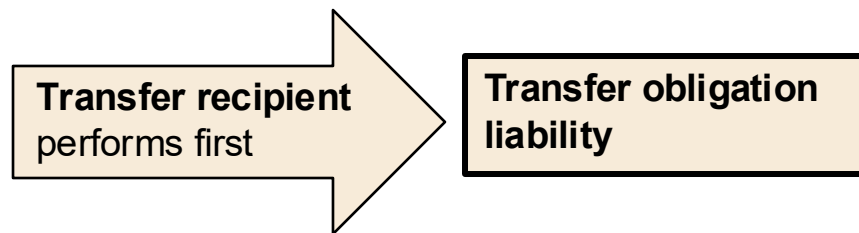
- use the resources internally
- Transfer the resources to a third party.

Assets and liabilities in a binding arrangement



e.g. prepayment

- Reporting entity (transfer provider) satisfied its obligation under the binding arrangement
- Transfer recipient still **owes performance** – reporting entity recognises **transfer right asset**



e.g. accrued expense

- Transfer recipient satisfied its obligation under the binding arrangement.
- Reporting entity still **owes resources** to the transfer recipient – recognises **transfer obligation liability**

Recognition of a transfer expense

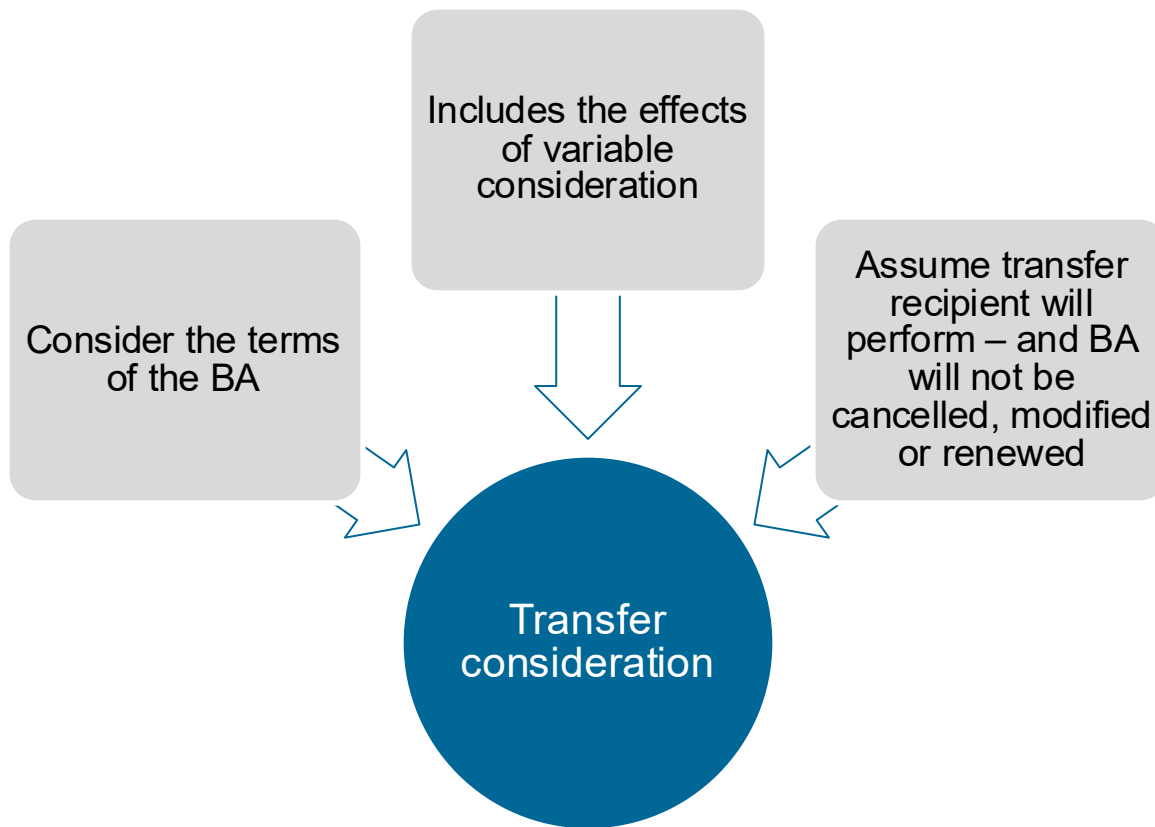
- When/as transfer recipient satisfies obligations
- When transfer recipient's progress cannot be estimated.
- When impaired
- When the entity has an enforceable right to receive cash in the event of non-performance

When (or as) a
transfer right
asset is
derecognised

When a transfer
obligation liability is
recognised

- When transfer recipient performs first
- Where there is variable consideration (measured in accordance with PBE IPSAS 19)

Measurement of a transfer expense



When there are multiple transfer rights

BA specifies stand-alone consideration for each transfer right?

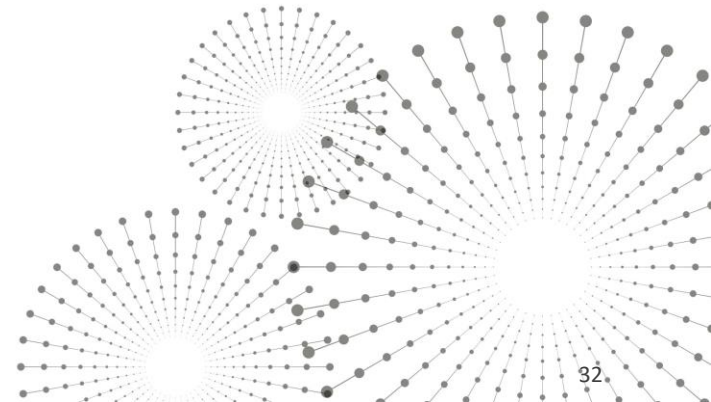
Yes

Allocate in accordance with BA

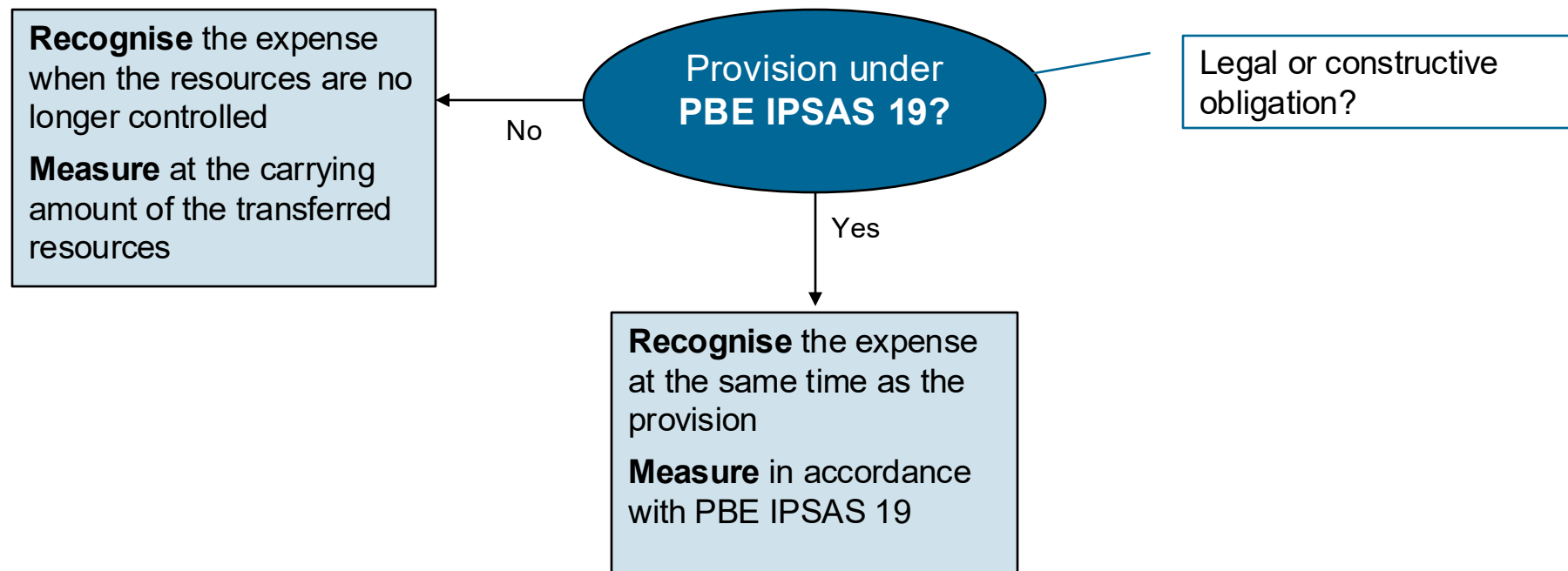
No

Best estimate of amounts intended to compensate transfer recipient

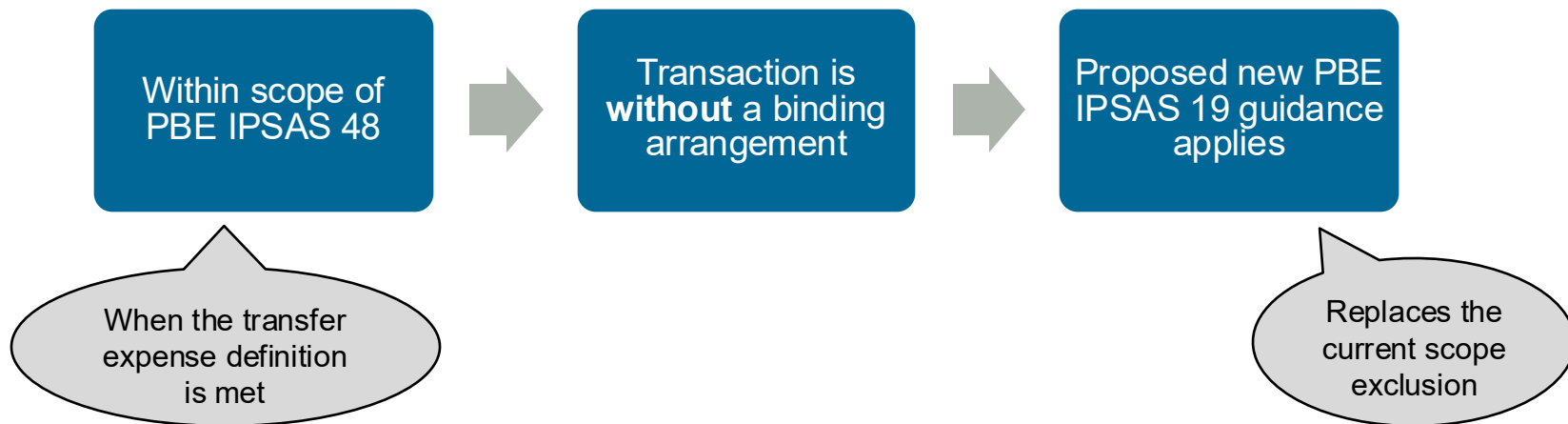
Transfer Expenses from Transactions *without* Binding Arrangements



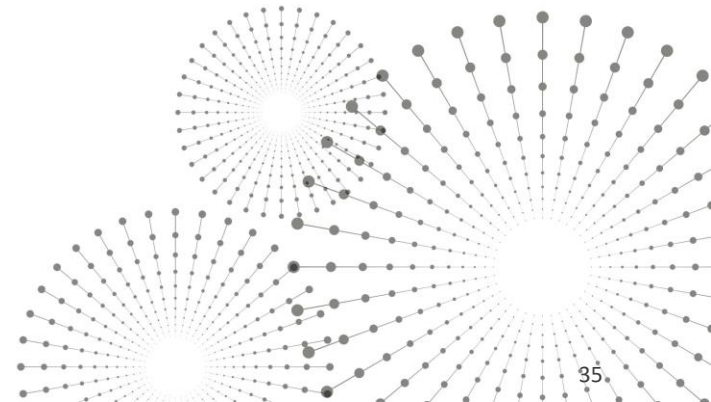
Recognition and measurement



Accounting for social benefits



Presentation and disclosure



Presentation and disclosure

Presentation

- **Transfer right asset and transfer obligation liability**
– apply PBE IPSAS 1 guidance for prepayment assets and transfers payable respectively.
- Present **transfer expenses** as a single line item (by nature) or by programme or purpose (by function).

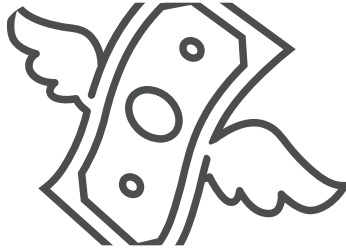
Disclosure

- Quantitative and qualitative information about:
 - Material transfers and transfer arrangements.
 - Significant judgements (plus changes) made for recognition of transfer right assets.

RDR concessions
for certain
disclosures

Presentation and disclosure requirements in other PBE Standards apply to financial assets, financial liabilities and provisions arising from transfer expense transactions.

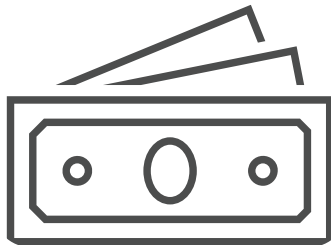
Guidance to address common challenges



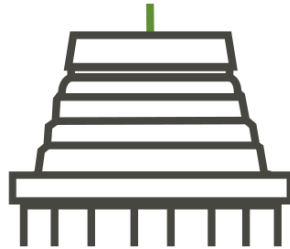
Capital transfers



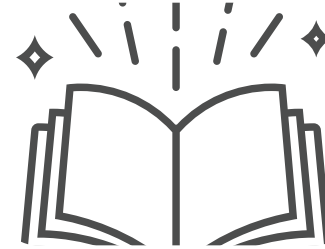
Multi-year funding arrangements



Appropriations



Recognition of provisions relating to social benefit transactions



11 illustrative examples

Educational guidance and support

Fact sheets

Revenue

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EXTERNAL REPORTING BOARD

Exposure Draft PBE IPSAS 47 Revenue
Proposed new revenue standard for Tier 1 & Tier 2 public benefit entities

The proposed PBE IPSAS 47 aims to provide a robust framework for revenue recognition by enhancing consistency and transparency. It seeks to clarify public sector accounting by ensuring that the principles remain relevant to revenue arrangements across various public sector entities. PBE IPSAS 47 aims to ensure consistent recognition of revenue across public sector entities, ensuring that the principles remain relevant to revenue arrangements across various public sector entities.

The proposed PBE IPSAS 47 Revenue will supersede PBE IPSAS 18 Revenue from Exchange Transactions. The ED proposes that PBE IPSAS 47 Revenue be applied to all public benefit entities from 1 January 2024.

Key objectives of the proposed PBE IPSAS 47 Revenue

- Provide a robust framework for revenue recognition by enhancing consistency and transparency.
- Clarify public sector accounting by ensuring that the principles remain relevant to revenue arrangements across various public sector entities.
- Ensure consistent recognition of revenue across public sector entities.

Key objectives of the proposed PBE IPSAS 47 Revenue

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Transfer expenses

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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

The proposed PBE IPSAS 48 Transfer Expenses aims to provide a robust framework for transfer expense recognition by enhancing consistency and transparency. It seeks to clarify public sector accounting by ensuring that the principles remain relevant to transfer arrangements across various public sector entities. PBE IPSAS 48 aims to ensure consistent recognition of transfer expenses across public sector entities, ensuring that the principles remain relevant to transfer arrangements across various public sector entities.

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- Provide a robust framework for transfer expense recognition by enhancing consistency and transparency.
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Webcasts

Ian Carruthers (IPSASB Chair) webcast



Overview of ED PBE IPSAS 47 Revenue



Overview of the binding arrangement principle



Overview of ED PBE IPSAS 48 Transfer Expenses



Over to you...

We are keen to hear your feedback

To provide feedback you can:

- Submit via our website:
www.xrb.govt.nz
- Email: accounting@xrb.govt.nz
- Attend outreach events per our website

Consultation closes 1 December 2025

With proposed effective date 1 January 2029



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Questions?

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