



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Need to Know series

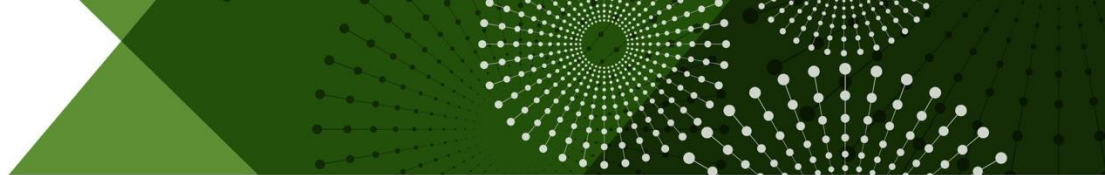
Accounting update
Tier 1 and 2 not-for-profit entities

Thursday 10 July 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

Nimash Bhikha

Technical Director, Accounting Standards
(nimash.bhikha@xrb.govt.nz)

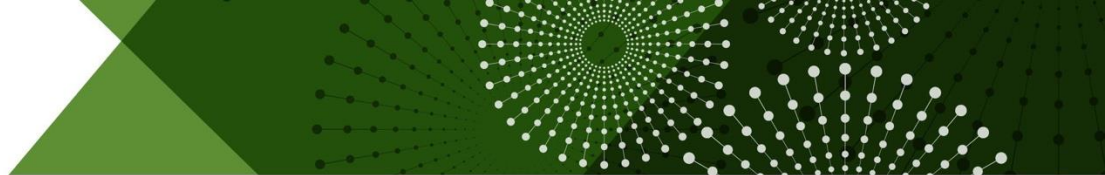
Leana van Heerden

Senior Project Manager, Accounting Standards
(leana.vanheerden@xrb.govt.nz)

Carly Berry

Senior Project Manager, Accounting Standards
(carly.berry@xrb.govt.nz)

Overview



- Service performance reporting and assurance
- ED PBE IPSAS 47 *Revenue*
- ED PBE IPSAS 48 *Transfer Expenses*
- Incorporated Societies
- Questions



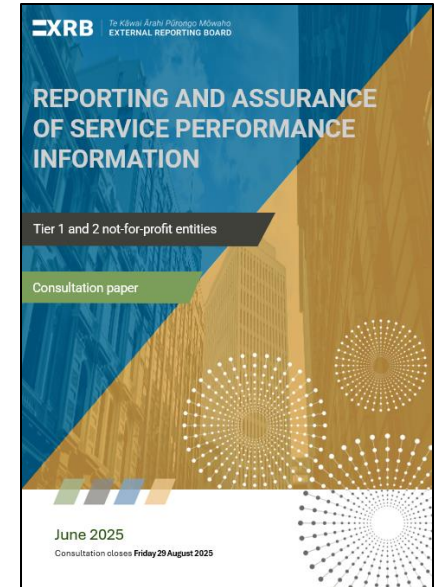
Webinar slides and recording will be available on our website

Service Performance Reporting and Assurance



Service performance reporting and assurance

- Looking to understand challenges in service performance reporting and assurance for not-for-profit entities
- **Consultation closes on Friday 29 August 2025**
- Initial outreach with Tier 1 and 2 entities highlighted challenges:
 - Lack of clarity over scope of service performance reporting
 - Differences between public and not-for-profit sectors
 - Maturity in service reporting processes
 - Verification challenges



Service performance reporting and assurance



Seeking feedback on our suggested solutions

- **Proposed changes to service performance reporting standard (PBE FRS 48)**
 - Clarifying the purpose and nature of service performance information
 - Aligning with the PBE conceptual framework
 - Basis of preparation requirements
 - Disclosure considerations
 - Sector-neutral standard with an authoritative appendix

Service performance reporting and assurance

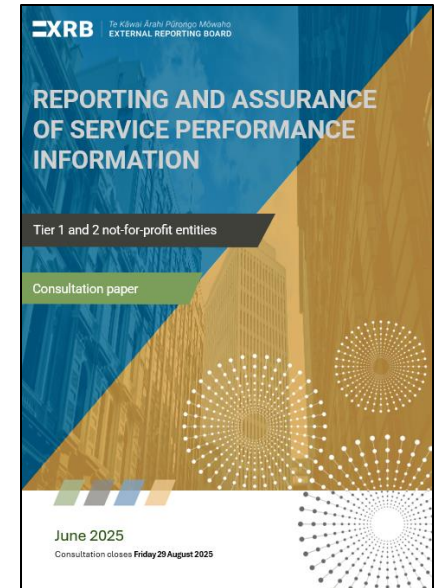
Seeking feedback on our suggested solutions

- **Proposed reporting guidance**
 - Virtual and in-person stakeholder workshops
 - Health
 - Education
 - Social services
 - Users and funders of service performance information
- **Proposed assurance guidance**
 - Audit evidence guidance



Service performance reporting and assurance

- How to provide feedback
 - Via our [website](#)
 - Via our virtual or in-person [events](#)
 - Via our [online feedback form](#)
 - Via email at accounting@xrb.govt.nz
- **Consultation closes on Friday 29 August 2025**
- Your feedback will directly determine our next steps



ED PBE IPSAS 47 *Revenue*

ED PBE IPSAS 48 *Transfer Expenses*



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
- Guidance and support



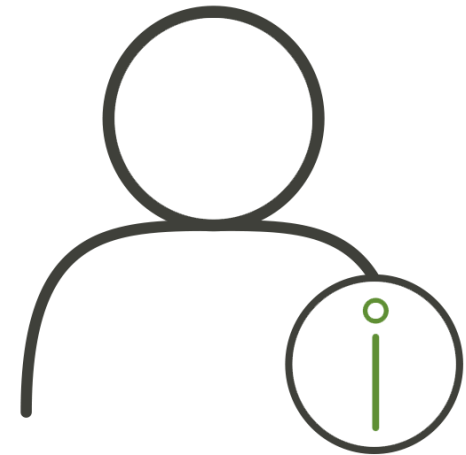
Enhancements for NFP entities

Revenue ED enhancements

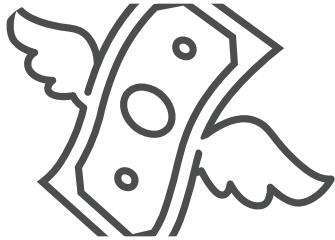
- Tailored NFP implementation guidance added
- Application guidance examples of binding arrangements involving services in-kind and internal use of resources
- Illustrative statement of comprehensive revenue and expenses for NFPs

Revenue and transfer expense ED enhancements

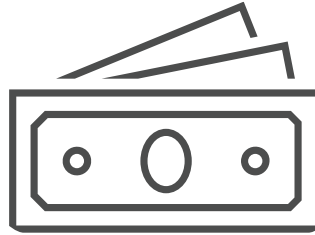
- NFP context in illustrative examples



Guidance to address common challenges



Capital transfers



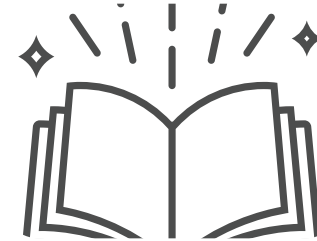
Appropriations



Services in-kind



Multi-year funding arrangements



Illustrative examples

- 56 for revenue &
- 11 for transfer expenses

Educational guidance and support

Fact sheets

Revenue

Transfer expenses

Webcasts

Ian Carruthers (IPSASB Chair) webcast



Overview of ED PBE IPSAS 47 Revenue



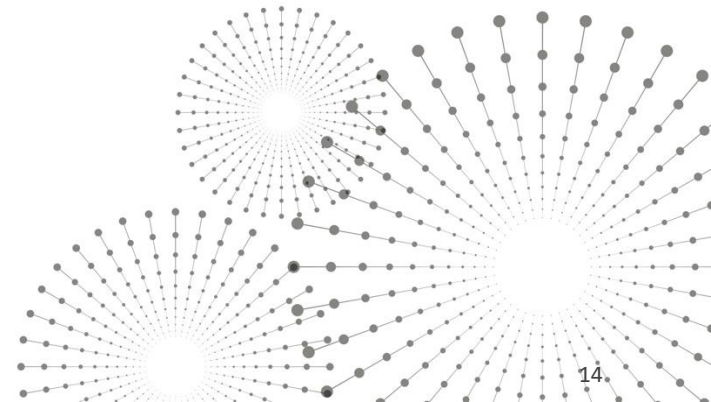
Overview of the binding arrangement principle



Overview of ED PBE IPSAS 48 Transfer Expenses



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

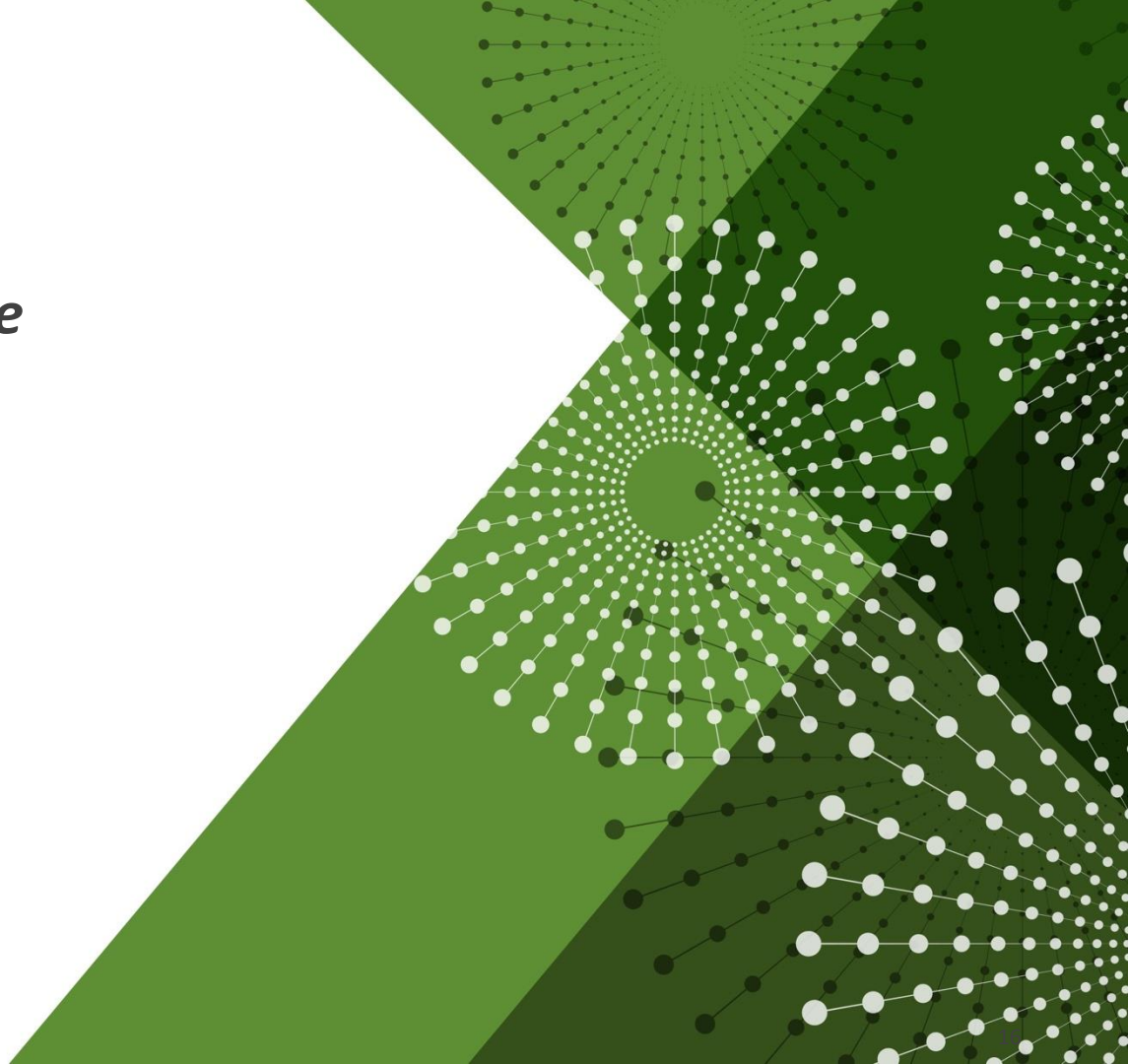
- Ability to enforce
- Enforceable through legal or equivalent means
- Compel completion or face consequences

Rights and obligations of the parties

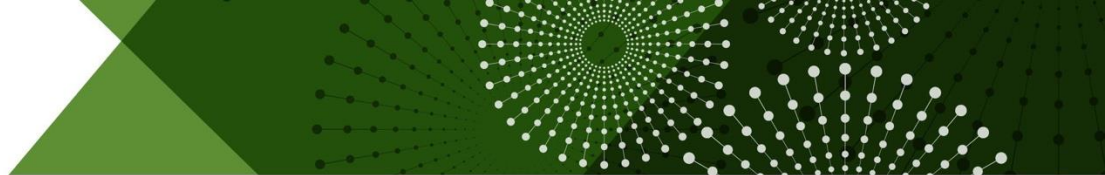
- At least two parties
- Interdependent and inseparable
- At least one compliance obligation (revenue)

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

ED 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.

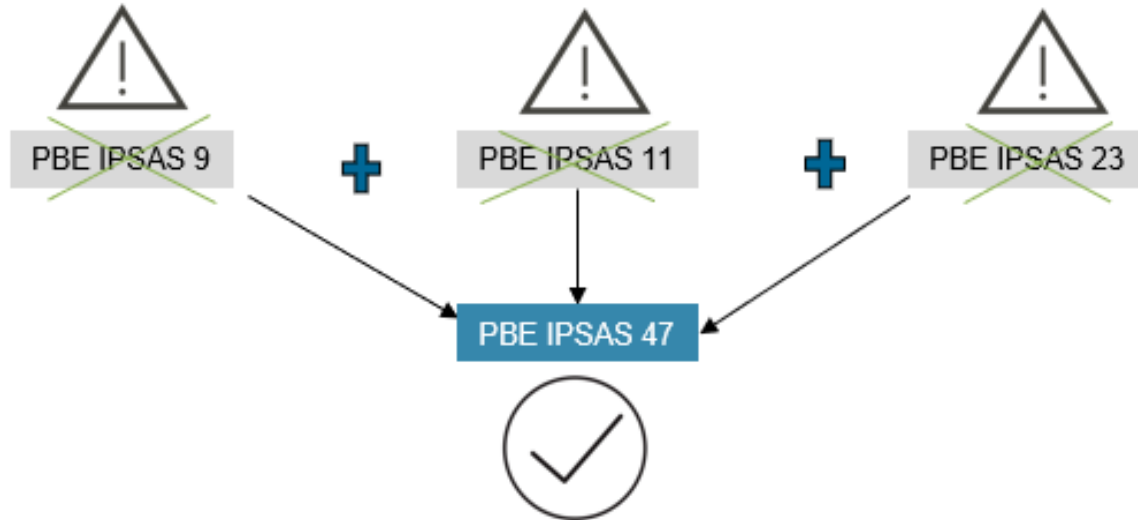
Lack of guidance on accounting for specific transactions.

Current challenges

Current PBE Standards on revenue

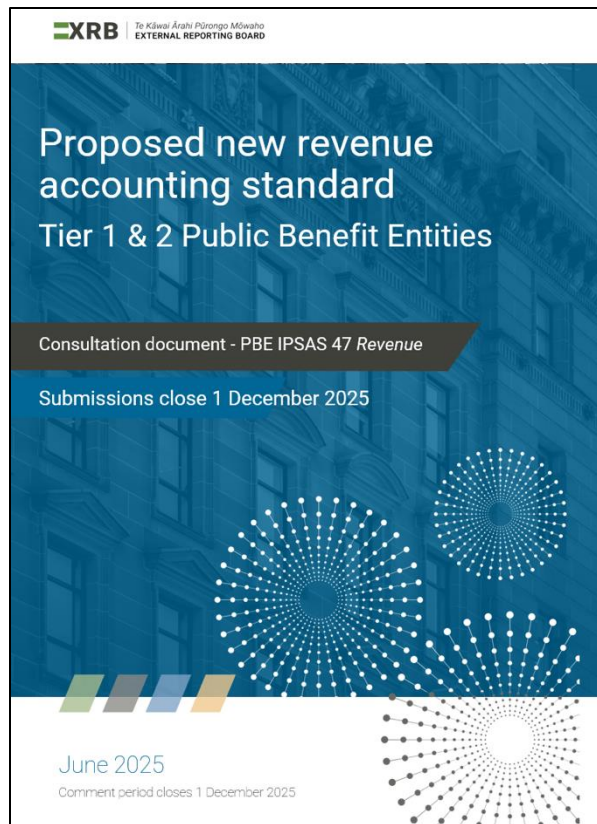
- PBE IPSAS 9 from Exchange Transactions
- PBE IPSAS 11 Construction
- PBE IPSAS 23 Revenue from Exchange Transactions

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



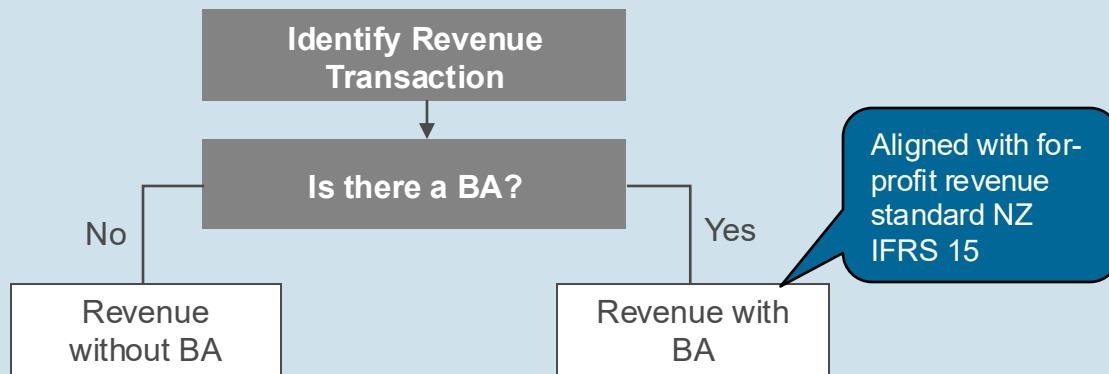
Easier reporting for 'mixed groups'

Exposure Draft

PBE IPSAS 47 *Revenue*

Key features:

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



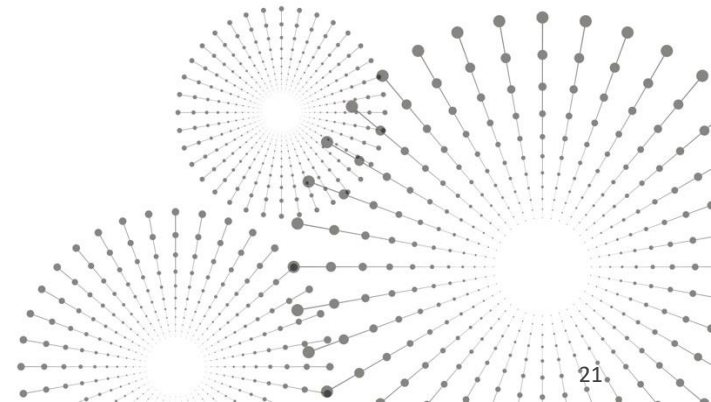
Revenue transactions require different accounting treatment depending on whether they involve a binding arrangement or not.

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

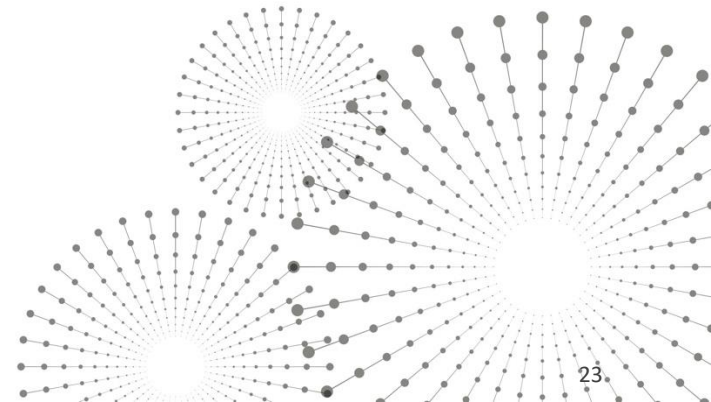


Recognition and measurement

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 – bequests or donations without enforceable obligations 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

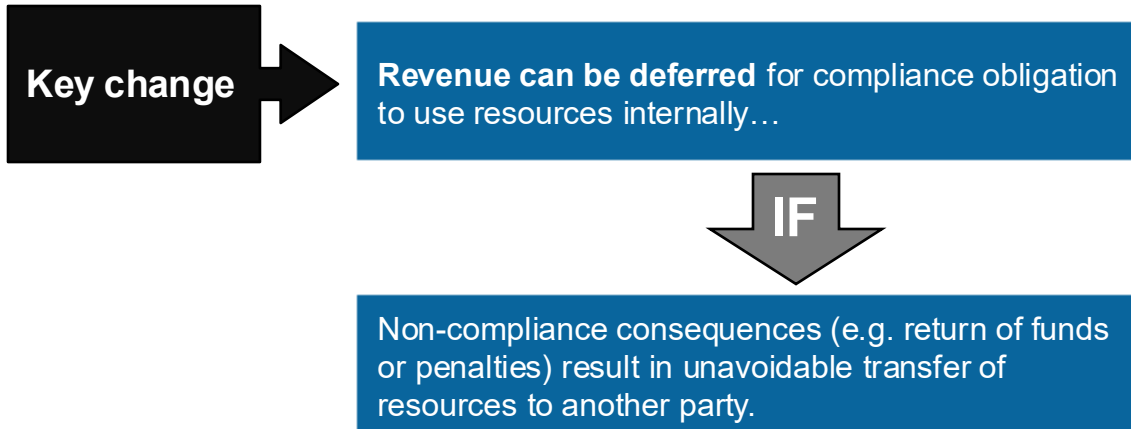
Revenue WITH BA

Recognition	<ul style="list-style-type: none"> • Recognise revenue when or as it satisfies compliance obligations • Recognise any right or obligation that meet definition of an asset or liability, respectively
Measurement	<ul style="list-style-type: none"> • 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.

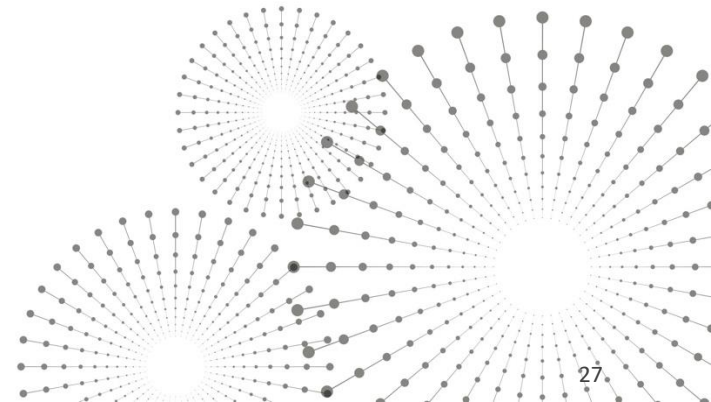
BA Assets and/or
BA Liabilities

Examples – capital transfers, grant agreements with compliance obligations 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

ED 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

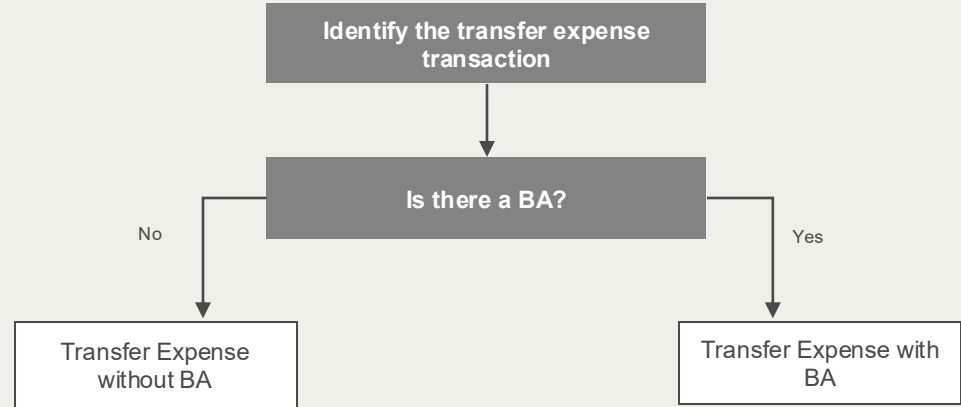


International alignment

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)**



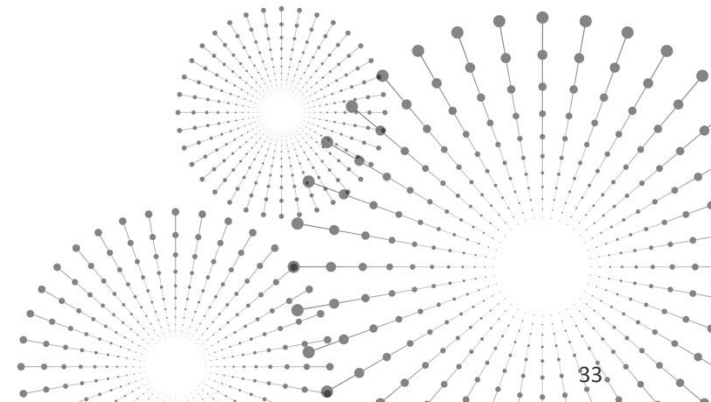
Transfer expense transactions require different accounting treatment depending on whether they involve a binding arrangement or not.

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

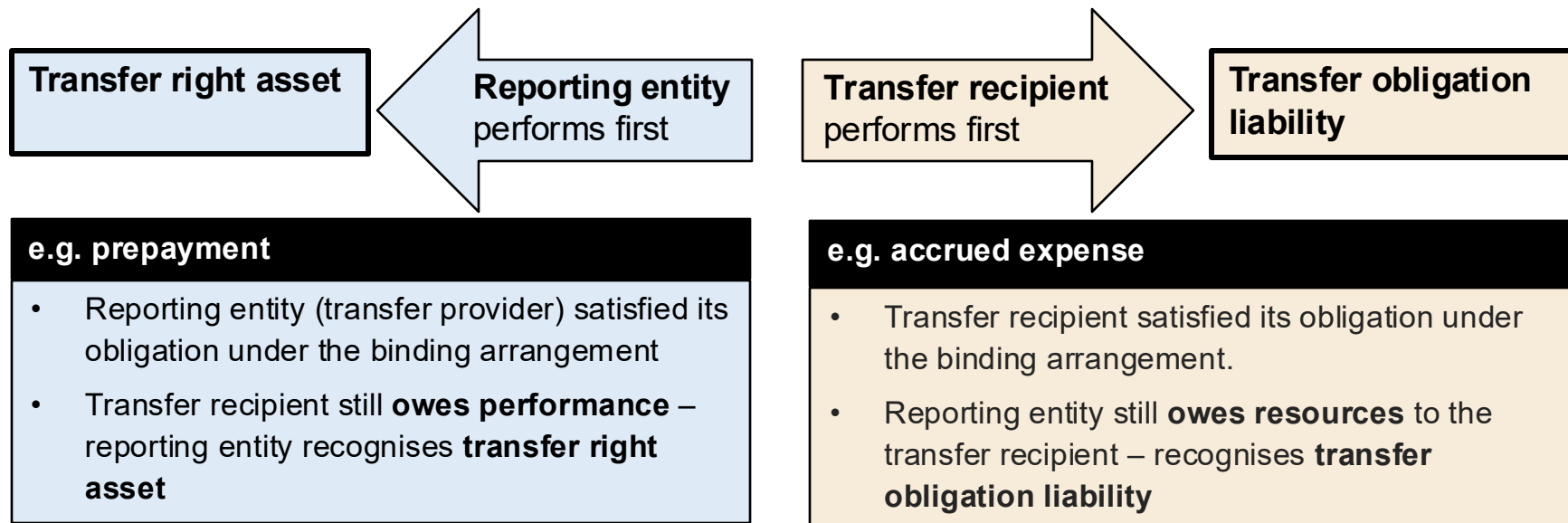
Binding arrangement may be a single transfer right



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



Recognition of a transfer expense

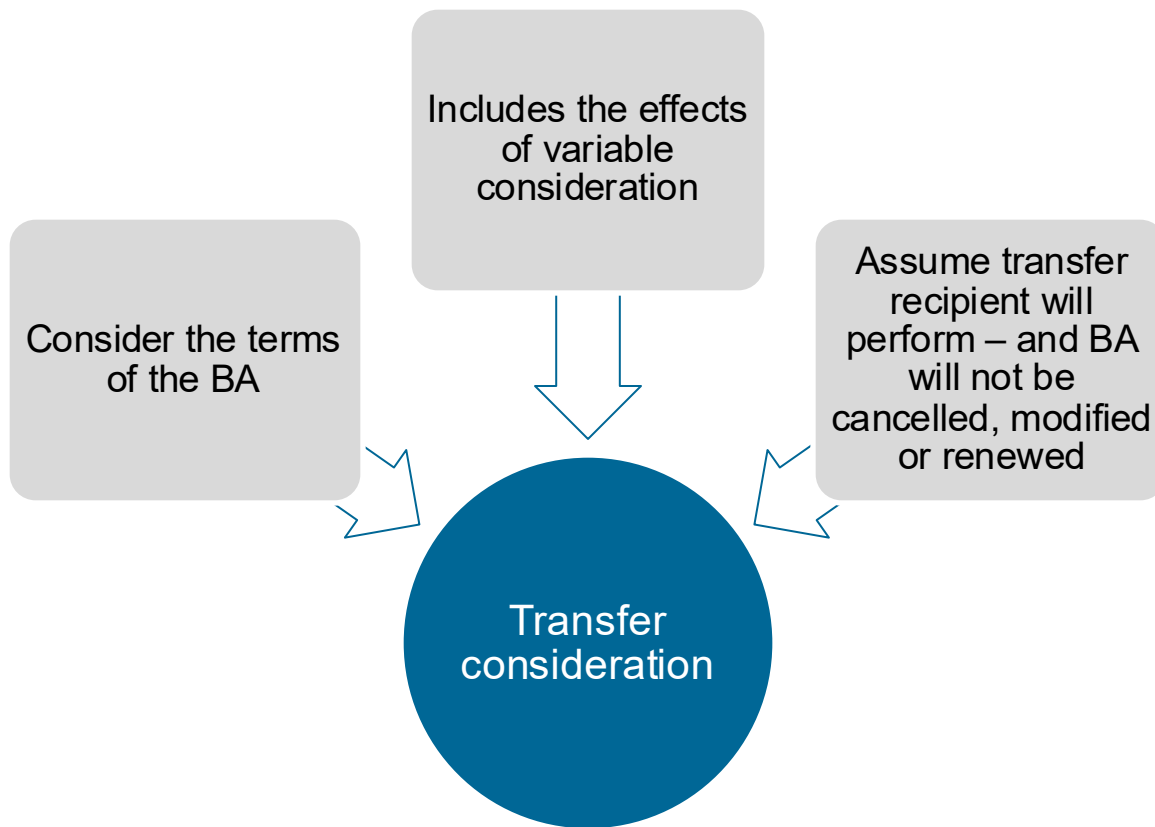
- When/as transfer recipient satisfies obligations
- When transfer recipient's progress cannot be estimated.
- When impaired
- When the entity has an enforceable right to receive cash in the event of non-performance

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?

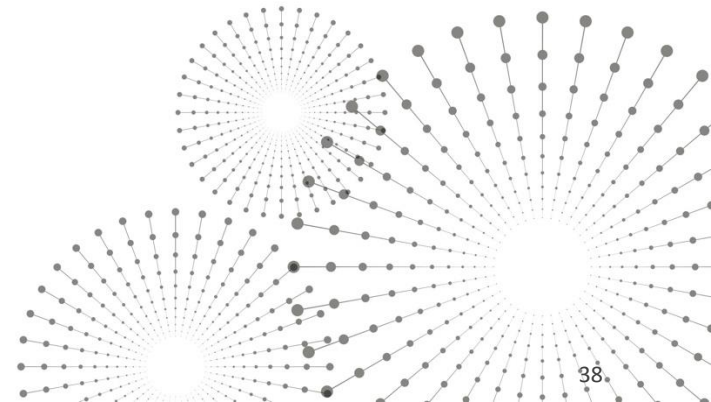
Yes

Allocate in accordance with BA

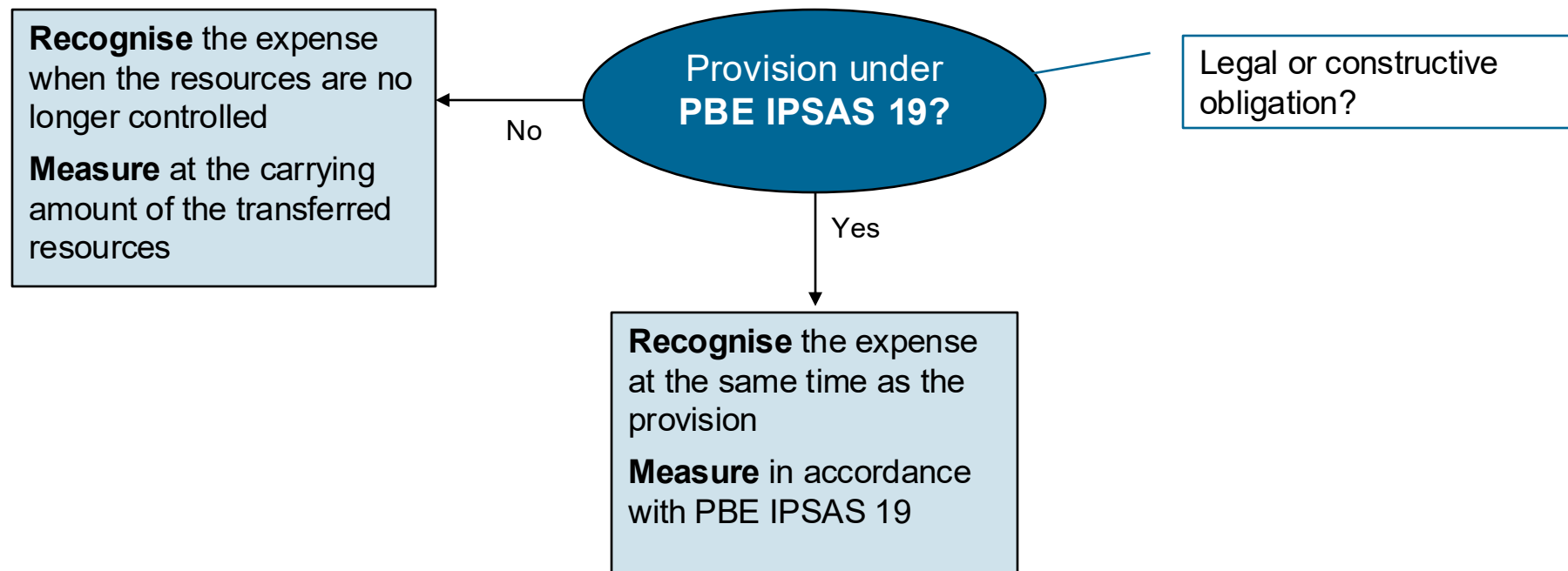
No

Best estimate of amounts intended to compensate transfer recipient

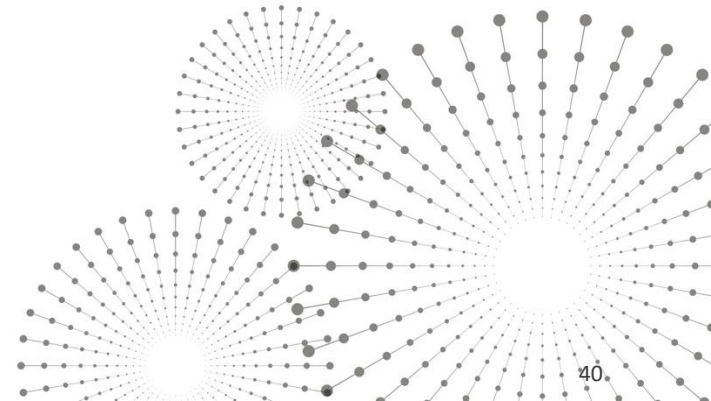
Transfer Expenses from Transactions without Binding Arrangements



Recognition and measurement



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.

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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Incorporated Societies



New Legislation

- Incorporated Societies Act 2022
 - Took effect in October 2023
 - New rules which may require updates to constitutions
 - Introduces financial reporting requirements
- **Transition period for replacing previous 1908 Act – 5 October 2023 to 5 April 2026**
- Societies must re-register with Companies Office to maintain status



Version as at 5 October 2023

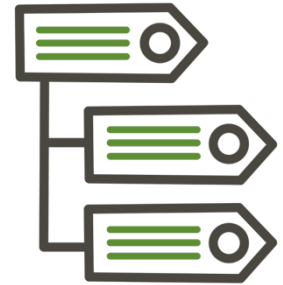


Incorporated Societies Act 2022

Public Act 2022 No 12
Date of assent 5 April 2022
Commencement see section 2

Section 102 (2) of the Incorporated Societies Act 2022

- The financial statements must be prepared in accordance with:
 - For a specified not-for-profit entity, generally accepted accounting practice (GAAP)
 - For a small society, GAAP, or a non-GAAP standard, or the requirements set out in section 104
 - For any other case, GAAP or a non-GAAP standard



Legislative types of societies

Small Society

- Operating payments less than \$50,000 in last two financial periods
- Current assets less than \$50,000 in last two financial periods
- Not a registered charity or approved donee organisation

Follow GAAP (PBE Tier 1–3), or a non-GAAP standard (PBE Tier 4), or the requirements set out in section 104

Specified not-for-profit entity

- Operating payments greater than \$140,000 in last two financial periods

Follow GAAP (PBE Tier 1–3)

Incorporated societies that do not meet the criteria to be a small society will need to apply XRB standards



Questions?

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