New Zealand Accounting Standards Board

MEETING PACK

for

NZASB Meeting - 127 Public

Thursday, 12 February 2026

9:00 am (NZDT)

Held at:

XRB Boardroom

Level 6, 154 Featherston Street, Wellington

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AGENDA

NZASB MEETING - 127 PUBLIC

Name:	New Zealand Accounting Standards Board
Date:	Thursday, 12 February 2026
Time:	9:00 am to 5:00 pm (NZDT)
Location:	XRB Boardroom, Level 6, 154 Featherston Street, Wellington https://teams.microsoft.com/l/meetup-join/19%3ameeting_Mzk1YzlmYjQtYjc0MS00NTU3LTk3NTItMjk3NTM5NTdkOWQ3%40thread.v2/0?context=%7b%22Tid%22%3a%2253996152-4561-4986-a4e9-e98f4cb07127%22%2c%22Oid%22%3a%22b97c12ab-c641-4058-991e-63d6af4c5103%22%7d

1. Non-Public Session

1.1 Non-Public Session 9:00 am (15 min)

2. Non-Public Session

2.1 Non-Public Session 9:15 am (45 min)

3. Non-Public Session

3.1 Non-Public Session 10:00 am (45 min)

4. Break

4.1 Break 10:45 am (15 min)

5. Non-Public Session

5.1 Non-Public Session 11:00 am (60 min)

6. Non-Public Session

6.1 Non-Public Session 12:00 pm (60 min)

7. Lunch

7.1 Lunch 1:00 pm (30 min)

8. IPSASB 2025 Work Programme Consultation

8.1 IPSASB 2025 Work Programme Consultation 1:30 pm (30 min)

For Discussion

Supporting Documents:

8.1.a	Board memo - IPSASB Work Programme Consultation.pdf	7
8.1.b	IPSASB Work Programme Consultation draft comment letter.pdf	19
8.1.c	IPSASB-2025-Work-Program-Consultation.pdf	28
8.1.d	IPSASB-2025-Work-Program-Consultation-Potential-Projects.pdf	41

9. PBE IPSAS 47 Revenue and PBE IPSAS 48 Transfer Expenses

9.1 PBE IPSAS 47 Revenue and PBE IPSAS 48 Transfer Expenses 2:00 pm (60 min)

For Discussion

Supporting Documents:

9.1.a	Board Memo - Feedback on the Revenue and Transfer Expenses consultations.pdf	58
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10. IPSASB Presentation of Financial Statements

10.1 IPSASB Presentation of Financial Statements 3:00 pm (30 min)

For Discussion

Supporting Documents:

10.1.a	Board memo - IPSASB Presentation of Financial Statements (Feb 2026).pdf	131

11. Break

11.1 Break 3:30 pm (15 min)

12. Tier 3 FAQs and guidance

12.1 Tier 3 FAQs and guidance 3:45 pm (15 min)

For Discussion

Supporting Documents:

12.1.a	Board memo - Tier 3 FAQs and guidance.pdf	148
12.1.b	Additional FAQs Tier 3 Standard (revised).pdf	152
12.1.c	Tier 3 Guidance - Overview (new template).pdf	158
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12.1.g	Tier 3 Revenue Expenses Guide (At a Glance) (new template).pdf	177

13. IASB projects and ASAF update

13.1 International Influence – IASB projects and ASAF update 4:00 pm (15 min)

For Discussion

Supporting Documents:

13.1.a	Board memo - IASB projects and ASAF update - Feb 2026.pdf	180

14. Non-Public Session

14.1 Non-Public Session 4:15 pm (30 min)

15. Non-Public Session

15.1 Non-Public Session 4:45 pm (15 min)

16. Close Meeting

16.1 Close the meeting

Next meeting: NZASB Meeting - 128 - 23 Apr 2026, 9:00 am

Memorandum

To:	NZASB Members
Meeting date:	12 February 2026
Subject:	**IPSASB Work Programme Consultation**
Date:	30 January 2026
Prepared by:	Tereza Bublikova
Through:	Gali Slyuzberg, Michelle Lombaard

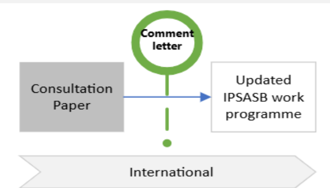
☒ **Action Required** ☐ **For Information Purposes Only**

COVER SHEET

Project priority and complexity

Project purpose	IPSASB perspective: To understand stakeholders' highest-priority needs so the IPSASB can determine which new projects or post-implementation reviews (PIRs) should be added to its 2026–2028 work programme. XRB perspective: To influence the IPSASB work programme so that it addresses the main concerns of New Zealand public sector PBEs. Also, to promote the XRB as a trusted partner for international public sector standard setting, continuing to build the XRB's credibility in this area.
Cost/benefit considerations	XRB's strategy is to develop standards that are internationally aligned and locally relevant. To achieve this, we seek opportunities to influence international standards so that the New Zealand context is considered early in the standards development process. The costs and benefits of individual potential projects are discussed in this memo.
Project priority	**High priority** The consultation is strategic in nature, as its outcome will influence the IPSASB's activities for the 2026–2028 period. This includes the potential issuance of new IPSAS standards (noting that PBE Standards are primarily based on IPSAS), PIRs of IPSAS, which may result in modifications to existing IPSASs, and the possible issuance of new public sector sustainability reporting standards.

Overview of agenda item

Project Status	
Board action required	**Low complexity** **PROVIDE FEEDBACK** on the draft comment letter and **DISCUSS** any relevant matters.

Purpose and introduction

1. The International Public Sector Accounting Standards Board (IPSASB) has released its IPSASB 2025 Work Programme Consultation (Consultation).

2. At its October 2025 meeting, the Board agreed to comment on the Consultation.

3. The purpose of this item is to seek the Board's feedback on the draft comment letter.

Recommendations/ actions

4. We recommend that the Board:

   (a) **PROVIDES FEEDBACK** on the draft comment letter; and

   (b) **DISCUSSES** any relevant matters.

Structure of this memo

5. The remaining sections of this memo are:

   - Background
   - Outreach activities
   - Other considerations
   - Next steps

Background

6. The IPSASB issued its 2024-2028 Strategy and Work Programme (Strategy) in October 2024. The Strategy responds to evolving constituent needs by:

   - Rebalancing the IPSASB's financial reporting resources to include a new focus on maintaining the suite of IPSAS Standards and supporting consistent application, which includes initiating a formal programme on post-implementation reviews (PIRs); and

   - Extending its standard setting activities to the development of IPSASB Sustainability Reporting Standards.

7. In the Strategy, the IPSASB committed that as resources became available, it would consult with stakeholders to understand their greatest needs in relation to financial reporting projects, PIRs and sustainability reporting projects.

8. In December 2024, the IPSASB identified that it would have resources becoming available in 2026 to take on some new projects and as such decided to seek feedback from stakeholders.

9. The 2025 Work Programme Consultation seeks feedback on the IPSASB's future priorities in terms of:

   - Financial reporting projects
   - Post implementation reviews (PIRs); and
   - Sustainability and other reporting projects.

10. The IPSASB expects to be able to undertake up to the equivalent of two major projects, likely one beginning late 2026/early 2027 and another beginning late 2027/early 2028. This does not include PIRs, as resources are already allocated to those in the IPSASB work programme.

11. The focus of our discussion with the Board is on potential financial reporting projects and PIRs as, at present, there is no mandate for the XRB to issue public sector sustainability reporting standards.

Approach to PIRs

12. The IPSASB indicated that the PIR will generally not commence until at least five years after the IPSASB's effective date of a standard. The IPSASB already committed to undertake a PIR of IPSAS 20 *Related Parties Disclosures* as a pilot project.

Outreach activities

13. We published the IPSASB Consultation on the XRB's website in October 2025. We raised awareness about the Consultation during our public sector accounting standards update for public sector finance professionals at an event organised by the Treasury (October 2025) and our pre-IPSASB-meeting with key public sector stakeholders (June 2025). We also included a link to the Consultation in September to December 2025 Accounting Alerts to further raise awareness among New Zealand constituents.

14. We discussed IPSASB's potential financial reporting projects and PIRs with the TRG (October 2025) and the PBE Working Group (November 2025).

Table 1 below summarises the feedback received from those discussions and explains why particular comments were, or were not, included in the draft comment letter.

Table 1 – Feedback received to date

TRG/ PBE Working Group comment	Rational for including/not including in the draft comment letter
Supported all the **projects aligning IPSAS with IFRS** – e.g IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; IAS 38 *Intangible Assets* and similar – as there should be consistency between IFRS and IPSAS where appropriate.	Partially included – We highlighted the importance of alignment of IPSAS and IFRS and recommended the IASB Provision project (see the draft comment letter for details). For reasoning of including or not including other alignment projects please refer below to the Table 2 *Potential projects*.

There is ongoing uncertainty about when, or whether, **liabilities arising from the Paris Climate Commitments** should be recognised. This is a global topical issue and certainty about the timing on when the recognition criteria are met would be useful, especially in the context of the amendments to provisions expected to come through during 2026.	**Included** – highlighted as a part of the IASB Provision project.
Cryptocurrencies could be a potential project, considering that some central banks are planning to introduce e-money. It would be good to delineate scope of cash and cash equivalents vs intangibles.	**Not included** – low relevance to New Zealand. There is no indication that New Zealand public sector will introduce e-money in the near future.
There are two influential IFRIC agenda decisions regarding **Software as a Service (SaaS)**, but there is nothing in authoritative standards and no equivalent to these IFRIC agenda decisions in the public sector space (although we note that the Treasury has issued guidance on accounting for SaaS arrangements for entities within the Government reporting entity, in line with the IFRIC agenda decisions). Therefore, more thorough consideration of SaaS by the IPSASB would be useful. For example, there are cases where two public sector entities are involved in developing SaaS platform - individually those entities do not have control over the platform, but together they own the platform. Accounting guidance in this area would be useful.	**Not included** – not considered public sector specific issue and is of lower priority compared with other potential projects. Also, SaaS may be addressed (or partially addressed) by the IASB within its Intangible Assets project. We believe the IPSASB should wait for IASB to progress with this project before addressing this issue.
Delete IPSAS 18 *Segment Reporting* **and IPSAS 24** *Presentation of Budget Information in Financial Statements* from the IPSAS suite of standards. The stakeholder who raised this point observed that these standards[1] are not being applied in practice and suggested that, rather than continually adding new requirements, the IPSASB should focus on what is working effectively and consider withdrawing standards that are no longer useful.	**Not included** – IPSAS 18 and IPSAS 24 are not incorporated into the PBE Standards and therefore are not relevant in New Zealand.

[1] According to the IFAC Report – Global Public Sector Shift to Accrual Accounting (September 2025) there are four jurisdictions that uses IPSAS Standards with no modifications as such they are using both IPSAS 18 and IPSAS 24. This will be also a case for some international organisations. Another example would be South Africa which is using GRAP 24 *Presentation of Budget Information in Financial Statements* based on IPSAS 24.

There are some application issues with the **definition of control**. Challenges can arise when documentation is missing for arrangements that were set up many years ago; although this is more of an issue in the not-for-profit (NFP) sector than in the public sector. We still hear application challenges from time to time within both sectors, for example where statutory or regulatory frameworks intersect with operational realities. Upon adoption of IPSAS 35 *Consolidated Financial Statements*, the NZASB expanded the guidance on the pre-determination of activities to address challenges that we were made aware of (see the draft comment letter for details). A PIR would be useful for the IPSASB to understand whether other jurisdictions have also experienced challenges and/or made modifications to avoid challenges in this area and whether amendments to IPSAS 35 are needed.	**Included** – We note that the specific application challenges mentioned on the left are either more prevalent in the NFP sector or have been dealt with in practice in a manner that seems to meet user needs. However, we are aware that application challenges relating to the definition of control arise, and we consider that it would be useful to identify these challenges and explore whether they can and should be resolved via standard-setting.
In terms of **PIR**s, entities keep struggling with **IPSAS 41 *Financial Instruments***.[2]	**Included** – We recommended PIR of IPSAS 41, acknowledging that IPSAS 41 does not meet the threshold of five years after the IPSASB's effective date.

Other considerations

IPSASB's Potential Projects

15. The IPSASB staff paper *Potential Projects* (agenda item 8.4) provides a list of potential financial reporting projects, PIRs and sustainability and other reporting projects, including what each of these projects could entail and IPSASB staff's initial assessment of the project against the IPSASB's project prioritisation criteria.

16. The Work Programme Consultation itself does not suggest any projects, as the IPSASB wants to hear from respondents about the projects that are the highest priority to them, whether they are on the *Potential Projects* list or not.

[2] The XRB recommended IPSAS 41 for PIR in its February 2024 comment letter on the IPSASB Strategy and Work Program 2024–2028

17. Table 2 below summarises our considerations in relation to the *Potential Projects*.

Table 2 – Potential Projects

Potential Project	Rational for including/not including in the draft comment letter
Financial Reporting Projects	
Projects that are not affected by a currently ongoing IASB projects:	
Disclosure of Tax Expenditures	**Not included** – 'Tax expenditures' are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others - for example mortgage interest tax deductions. Those are foregone revenue, not expenses, and do not give rise to inflows or outflows of resources. IPSAS 23/ IPSAS 47 requires taxation revenue to be presented net of tax expenditures. Currently, no disclosures about tax expenditures are required. The project 'Disclosure of Tax Expenditures' would require disclosures of forgone revenue as a result of the tax expenditures. We have reservations about the usefulness of this information. First, the *Possible Projects* document implies that this project could increase accountability and transparency regarding the provision of tax concessions by governments, which is a matter of public interest – but, tax expenditures represent only a small sub-set of tax system tools used to encourage certain behaviour or discourage other behaviour as they are limited only to taxpayers. Entities that are exempt from tax (such as charities) are excluded when determining the 'tax expenditures' for reporting purposes. Therefore, the extent of additional transparency arising from this project would be limited. Second, tax expenditures would be characterised as foregone revenue, which could imply that a government would increase its revenue by reducing tax expenditure. However, it is unclear whether entities to whom concessions are provided via tax expenditure would continue to operate and pay taxes to the same extent in the absence of those tax concession. If not, the disclosure of tax expenditure does not provide relevant information. Although the OECD requires disclosure of similar information, the question remains whether, in the New Zealand context, this is truly information to be included in general purpose financial report.

IFRS 17 *Insurance Contracts*	**Included** – In New Zealand, there is no gap in accounting standards as insurance contracts are accounted for under PBE IFRS 17. Despite the existence of PBE IFRS 17, we believe it is important for the IPSASB to undertake this project. If other jurisdictions develop their own public sector insurance standards in the absence of an IPSASB standard, there is a risk that global comparability and consistency will be undermined and that international practice will diverge from New Zealand practice. We also disagree with the IPSASB's initial assessment of this project as having low consequences, based on an assumption that the nature of insurance contracts in the scope of IFRS 17 is not different in the public versus the private sector. However, experience in New Zealand and Australia shows that IFRS 17 as issued by the IASB is not readily applicable in the public sector as there are significant differences between the public and for-profit sectors. Further, we consider this project to have high feasibility, in contrast to the IPSASB's medium-feasibility assessment, given that IPSASB can build on New Zealand and Australian experience with developing PBE IFRS 17 and AASB 17 respectively to modify IFRS 17 to address the public sector challenges.
RPG 2 *Financial Statement Discussion and Analysis (Improvement Project)*	**Not included** – considered to be of low importance, as public sector entities can apply the IASB's improvements to Practice Statement 1 *Management Commentary* on their own to improve communication to primary users. Also, RPG 2 is not part of PBE Standards in New Zealand.
Better Communication in Financial Reporting (Potential Disclosures Project)	**Not included** – considered to be of low importance, given that there are existing IPSASB projects relating to effective communication in financial statements. The IPSASB has a current project on Presentation of Financial Statements – as well as Making Materiality Judgements, whereby the IPSASB is developing guidance on applying materiality to disclosures. We consider this guidance to be more useful than narrow-scope, annual improvements to disclosure requirements, which could be disruptive if addressed in isolation and would be better dealt with as part of broader maintenance projects, such as alignment with IFRS or follow-up actions arising from PIRs.
Projects that are affected by a currently ongoing IASB project:	
Rate-regulated activities (IFRS 14 *Regulatory Deferral Accounts and*	**Not included** – We are not aware of any significant public sector entities involved in rate-regulated activities in New Zealand. However, there are several for-profit entities which will be subject to upcoming IASB requirements, and which are part of mixed groups. For those mixed groups it may be beneficial to align the

Future IFRS Accounting Standards)	IASB and IPSASB requirements. However, we do not believe the IPSASB should prioritise this project ahead of the projects recommended in the draft comment letter.
IAS 37 *Provisions, Contingent Liabilities and Contingent Assets (Targeted Improvements Project)*	**Included** – provisions are prevalent in the public sector, and alignment with IFRS is important. There are also public sector–specific application issues that we are aware of in New Zealand, such as commitments arising from the Paris Agreement (see Table 1).
IAS 38 *Intangible Assets (Comprehensive Review)*	**Included** – The issues that the IASB project aims to address arise in both for-profit and public sector contexts, and many of the challenges are common across sectors. However, the IASB's project is still at an early stage, and there is currently insufficient clarity about the direction, scope, and nature of any potential amendments. Despite the existence of public sector specific intangible assets, such as radio spectrum, we do not believe the IPSASB should undertake any research or develop significant amendments to IPSAS 31 before the IASB has progressed its project. Instead, we recommended that the IPSASB considers the IASB project once it progresses sufficiently for its direction to be clear. Waiting for the IASB to advance its project would allow the IPSASB to leverage off the IASB's work, rather than duplicating it. It would also prevent unnecessary divergence from for-profit practice where transactions are the same in nature and would decrease the risk of having 'two rounds of changes' to IPSAS.
Climate-related and Other Uncertainties in the Financial Statements (newly referred as *Disclosures about Uncertainties in the Financial Statements*)	**Included** – there is increased focus of climate-related risks and uncertainties for public sector entities.
Other Reporting Projects (excluding sustainability projects):	
Architecture project	**Included** – see our rationale in the draft comment letter. The IPSASB already indicated its plan to undertake this project. The IPSASB made this decision, and the decision to mention this project in the Work Programme Consultation, following a presentation by the XRB Director of Accounting Standards (Michelle Lombaard) at the IPSASB Public Sector Standard Setters Forum in September 2025. Michelle presented on the need for an IPSASB project to clarify the architecture of IPSASB

	literature and resulting reporting, and the boundaries of financial statements. In responding to the Work Programme Consultation, we are taking the opportunity to stress the importance of this project and further highlight what we believe this project should encompass.
Developing Authoritative Guidance based on RPG 1, *Reporting on the Long-term Sustainability of an Entity's Finances*	**Not included** – considered to be of low importance. In New Zealand, RPG 1 is not part of PBE Standards in New Zealand, and long-term fiscal sustainability information is already provided by government and councils through legislation requirements.[3] We are not aware of calls to change how this information is prepared or calls for mandatory requirements in accounting standard for the preparation of this information.
Developing Authoritative Guidance based on RPG 3, *Reporting Service Performance Information*[4]	**Not included** – In New Zealand, service performance information (SPI) is reported under PBE FRS 48 *Service Performance Information*. Although the NZASB developed PBE FRS 48 as a mandatory standard, because it considered SPI essential in the public sector, we do not consider that the IPSASB should prioritise the development of a mandatory SPI reporting standard at this stage. In our view, the IPSASB should first complete the architecture projects and only once this is complete, the IPSASB can determine the appropriate approach to SPI. As explained in the draft comment letter, the IPSASB's consideration of the architecture of its literature and of the boundaries of general purpose financial statements and reports could affect considerations of how materiality should be assessed for SPI information, who are the users of the information and what are the impacts on the assurance of SPI.

[3] The Treasury is required to issue Economic and Fiscal Updates (currently covering the fiscal outlook for the Government for the following 5 years), as well as a He Tirohanga Mokopuna (Long-Term Fiscal Statement) that covers at least the next 40 years. Councils are required to prepare financial strategy covering at least 10 years as a part of their long-term plan. Paragraph BC 17 of PRG 1 explains that long-term fiscal sustainability information is likely to be relevant at the whole of government level, consolidated national level, and for major sub-national entities such as regions, provinces, states and large local government entities (for examples, cities), which have tax raising powers, where is unlikely to be appropriate for individual government departments and entities that do not have tax raising powers – in New Zealand this means whole of government and local councils.

[4] The XRB recommended adding a project to develop an IPSAS on service performance reporting in its February 2024 comment letter on the IPSASB Strategy and Work Program 2024–2028

Post Implementation Reviews	
IPSAS 18 *Segment Reporting*	**Not included** – IPSAS 18 is not incorporated into the PBE IPSAS Standards and as such is not relevant in New Zealand.
IPSAS 35 *Consolidated Financial Statements*[5]	**Included** – see Table 1 above for our reasoning.

Differences between IPSAS and IFRS

18. The current suite of IPSAS is the most complete set of standards that the IPSASB has ever had. However, some gaps remain. We reviewed the IPSAS Standards-IFRS Accounting Standards Alignment Dashboard, prepared by IPSAS staff, to identify potential "gaps" in the IPSASB literature where an alignment project is not in the current IPSAS work plan.

Table 3 – Gaps in the existing IPSAS literature - where alignment project is not in current IPSAS work plan

IFRS Accounting Standard/Interpretation	IPSASB staff comment	XRB comment
IFRS 14 *Regulatory Deferral Accounts*	Limited relevance in many jurisdictions.	**Agree** with the IPSASB staff comment.
IFRS 17 *Insurance Contracts*	Option to use IFRS 17 directly included in IPSAS 42 *Social Benefits.*	**Disagree** with IPSASB staff comment – see our comments in the Table 2
IAS 34 *Interim Financial Reporting*	Limited interest given current priority to get governments onto accrual-based end year reporting.	**Agree** with the IPSASB staff comment, noting that in New Zealand there is PBE IAS 34 *Interim Financial Reporting*
IFRIC 10 *Interim Financial Reporting and Impairment*	To only be considered if the IPSASB develops an aligned IPSAS Standard with IAS 34	
IFRIC 21 *Levies*	To be considered after the IASB completes its *Provisions – Targeted Improvements* project.	**Agree** with the IPSASB staff comment.
SIC-7 *Introduction of the Euro*	To be considered further for broader application to other monetary unions in the public sector.	**Agree** with the IPSASB staff comment.

[5] The XRB recommended IPSAS 34-38 (standards on interest in other entities) for PIRs in its February 2024 comment letter on the IPSASB Strategy and Work Program 2024–2028 and

Differences between IPSAS and PBE Standards

19. We have performed detail analysis of differences between the IPSAS and the PBE Standards suite. This analysis highlighted two matters which we believe should be reflected in the draft comment letter:

- When IPSAS 40 was adopted in New Zealand, the NZASB made a significant number of modifications to better suit the New Zealand environment. This indicates that PBE IPSAS 40 was not well suited for direct adoption. We also note that in the XRB recommended IPSAS 40 for PIR in its comment letter on the IPSASB Strategy and Work Program 2024–2028.

- The NZASB agreed to commit to the finalisation of PBE IPSAS 43 *Leases* for application by New Zealand public sector entities, but decided to defer finalisation of the project. Subsequently, the NZASB decided not to adopt the IPSASB amending standard *Concessionary Leases and Other Arrangements Conveying Rights over Assets* as New Zealand stakeholders raised significant conceptual and cost/benefit-related concerns about the amending standard. The NZASB is yet to decide when the PBE IPSAS 43 project should recommence. In the meantime, feedback received by the IASB on its recent PIR of IFRS 16 (on which IPSAS 43 is based) indicates that the standard is meeting (or largely meeting) its objective and resulted in overall improvements to the quality and comparability of financial information about leases. However, there are significant concerns about the usefulness of information resulting from the application of significant judgement in determining discount rates and lease terms. In New Zealand, our outreach suggests that, in practice, IFRS 16 results in significant costs and complexity for many preparers, which are perceived to be disproportionate to the benefits. Some New Zealand public sector entities expressed similar concerns should PBE IPSAS 43 be issued.

20. In light of the findings above, we recommended IPSAS 40 and IPSAS 43 for PIR (in addition to IPSAS 35 and IPSAS 41 – see above). We note that IPSAS 43 does not yet meet the IPSASB's threshold of five years after the standard's effective date. However, we believe that commencing the PIR of IPSAS 43 straight after the IPSASB's pilot PIR on IPSAS 20 *Related Party Disclosures* would put the IPSASB in a good position for the review of IPSAS 43. Please see our reasoning in the draft comment letter.

Draft comment letter

21. The draft comment letter reflecting the analysis above is attached as Agenda Item 8.1b.

Questions for the Board:

Q1. Does the Board agree with the analysis above?

Q2. Does the Board have any comments to the draft comment letter?

Next Steps

22. We plan to publish the draft comment letter on the XRB website and discuss it with CA ANZ (February 2026), the TRG (March 2026) and actively seek feedback from Treasury, OAG, IRD, MBIE and the PBE Working Group.

23. Comments to the XRB are due by 26 March 2026, and comments to the IPSASB are due by 4 May 2026.

24. We will seek NZASB approval of the final comment letter at its meeting on 23 April.

Question for the Board:

Q3. Does the Board have any comments to the outreach plan?

Additional Material

- Agenda Item 8.1b - Draft comment letter
- Agenda Item 8.1c - IPSASB 2025 Work Programme Consultation
- Agenda Item 8.1d – IPSASB 2025 Work Programme Consultation – Potential Projects

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

[Day Month] 2026

Mr Thomas Müller-Marqués Berger
Chair
International Public Sector Accounting Standards Board
277 Wellington Street West
Toronto
Ontario M5V 3H2
CANADA

Submitted to: www.ifac.org

Dear Thomas

IPSASB 2025 Work Programme Consultation

Thank you for the opportunity to comment on the IPSASB 2025 Work Programme Consultation (the Consultation). The Consultation has been exposed for comment in New Zealand and some New Zealand constituents may comment directly to you. Our comments have been informed by consultation with public sector practitioners.

The External Reporting Board (**XRB**) is a Crown Entity responsible for developing and issuing accounting, auditing and assurance, and climate standards. The XRB promotes 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.

The XRB delegates responsibility for issuing accounting standards to the New Zealand Accounting Standards Board (NZASB). The NZASB develops and issues accounting standards for New Zealand public sector entities and not-for-profit entities (e.g. charities), as well as for-profit entities (e.g. companies).

The XRB supports the IPSASB's initiative to review its work programme for 2026 and beyond, to better understand stakeholders' greatest needs and how these can be addressed. The XRB is well placed to share relevant experience and thought leadership that we believe will assist the IPSASB in considering its work programme, as outlined below.

- The XRB's Public Benefit Entity Standards (PBE Standards) for public sector entities are primarily based on IPSAS, with some modifications to reflect the New Zealand context. As such, the XRB has extensive experience in implementing IPSAS, and New Zealand public sector entities have experience in applying IPSAS-based standards. The modifications that we have made to IPSAS after stakeholders consultations, as well as the application challenges that we hear about from public sector stakeholders, provide useful indicators of the areas of where IPSAS could be improved or where a PIR would be beneficial.

- XRB staff provide support to IPSASB member Angela Ryan. As such, we keep up to date with IPSASB projects and receive preliminary feedback from key New Zealand stakeholders on these projects as they are being developed. This puts us in a strong position to identify early additional areas for improvement and challenges that may arise from a project where further standard setting may be needed.
- The XRB's standards for for-profit entities are New Zealand equivalents to IFRS Accounting Standards (supplemented by additional domestic disclosure standards). This long-standing strategy means that New Zealand has extensive experience in applying IFRS Accounting Standards. In addition, the XRB is a member of the IASB's Accounting Standards Advisory Forum (ASAF), and is therefore closely connected to the IASB's standard-setting projects. This positions the XRB well to comment on IASB projects that may be relevant to the IPSASB.

In our view, the IPSASB should focus in its work programme on the following new projects:

- Undertake **research on the architecture** of the IPSASB's existing suite of literature to determine where guidance is best situated and clearly define the applicability of each type of guidance, including materiality considerations. The introduction of a sustainability reporting standard and IPSASB's considerations of developing authoritative requirements based on RPG 1 and RPG 3 have highlighted the need for greater clarity about what guidance applies to general purpose financial statements (GPFS), general purpose financial reports (GPFR), and information outside the financial statements. In particular, we recommend that the IPSASB addresses the distinction between GPFS and GPFR and the implications for preparers when making materiality judgements.
- Continue maintaining alignment with IFRS Accounting Standards where transactions are the same or similar between the public and private sectors. Specifically, we recommend prioritising the commencement of projects related to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets (Targeted Improvements Project)* and *Disclosures about Uncertainties in the Financial Statements,* while taking into consideration specific public sector-specific matters such as commitments under the Paris Agreement; and
- Close a gap in the IPSASB literature by commencing project to develop an IPSAS standard based on IFRS 17 *Insurance Contracts,* building on New Zealand and Australian experience with developing PBE IFRS 17 and AASB 17 respectively.

Regarding the post implementation reviews (PIR), we recommend the IPSASB to commence PIR of IPSAS 43 *Lease* straight after the IPSASB's pilot PIR on IPSAS 20 *Related Party Disclosures*.

The full reasoning for our recommendations, together with our responses to the IPSASB's Specific Matters for Comment, is set out in Appendix A.

Should you have any queries concerning our submission please contact Tereza Bublikova (Tereza.Bublikova@xrb.govt.nz) or me.

Yours sincerely

Dr Carolyn Cordery

Chair – New Zealand Accounting Standards Board

Appendix A

Response to Specific Matters for Comment

Specific Matter for Comment 1
Which financial reporting projects should the IPSASB prioritize? For each financial reporting project you suggest, please clearly explain the project scope and your reasoning, using the IPSASB's project prioritization criteria outlined on the previous page, to support its priority. Respondents are encouraged to use the format in the Optional Template illustrated in the Instructions for Respondents on the following page for each project suggested.

Architecture project

1. We welcome the IPSASB plans to undertake research on the architecture of its existing suite of literature to determine where guidance is best situated, and to be clear about the applicability of guidance.

2. The IPSASB's pronouncements currently comprise authoritative requirements and non-authoritative guidance, with some requirements/guidance applying to the general purpose financial statements (GPFS), some applying to information outside of GPFS but within the broader general purpose financial reports (GPFR), and some applying to GPFR in general. Specifically, the IPSASB's pronouncements currently include the following:
   - IPSAS, which include authoritative requirements and accompanying non-authoritative guidance, applying to an entity's GPFS;
   - Recommended Practice Guides (RPGs), which are non-authoritative 'best practice' guides that apply to reporting outside of the GPFS but within the entity's GPFR – noting that the IPSASB is considering whether to develop authoritative guidance based on RPG 1 and RPG 3;
   - A new Sustainability Reporting Standard (SRS), which includes authoritative requirements and accompanying non-authoritative guidance, applying to sustainability information reported outside of the GPFS but within GPFR, with potentially more IPSASB SRSs to follow; and
   - The IPSASB's Conceptual Framework, which refers broadly to GPFR, and which does not establish authoritative requirements but can be used as guidance for dealing with matters not specifically dealt with in IPSAS or RPGs. SRSs are currently not specifically mentioned in the Conceptual Framework, although information reported in accordance with SRS is part of GPFR.

3. Recent questions that have been arising in relation to the architecture of the IPSASB literature include the following:
   - In the NZASB's comment letter on the IPSASB ED 93 *Definition of Material*, we noted that the definition of 'material' in IPSAS 1 refers to decisions made by primary users based on the entity's GPFS, whereas the description of 'material' in the Conceptual Framework refers to decisions made by primary users based on the entity's GPFR. We recommended explaining this distinction and clarifying whether preparers are expected to consider materiality in the context of the entity's full suite of GPFR (as implied by the Conceptual Framework), in

addition to considering materiality specifically for the GPFS (as required in IPSAS 1). This is particularly important given the addition of SRS into IPSASB literature and the possibility of developing authoritative non-financial reporting standards based on RPG 1 and RPG 3.

In New Zealand, PBE IPSAS 1 refers to GPFR, rather than GPFS, with GPFR containing the financial statements, notes and service performance information. Consistently, the definition of materiality in PBE IPSAS 1 refers to both the financial statements and service performance information, so there is consistency on this matter between PBE IPSAS 1 and the Conceptual Framework. However, this would not be the case in other jurisdictions that distinguish between GPFS and GPFR in the same way as the IPSASB. Also, for jurisdictions that adopt the IPSASB's SRS, there would be a lack of clarity as to whether sustainability information should be considered when making materiality judgements in preparing the financial statements.

- The 'Potential Projects' document accompanying the IPSASB's Work Programme Consultation mentions a potential project on developing authoritative guidance based on RPG 3 *Reporting Service Performance Information*. The service performance information (SPI) covered by RPG 3 is non-financial in nature, but it may or may not include sustainability information, and is in any case broader than sustainability information. As such, authoritative guidance based on RPG 3 does not seem to completely fit within either IPSAS (for application to GPFS) or IPSASB SRS (for application to sustainability information within GPFR). A question arises as to what suite of IPSASB pronouncements the authoritative guidance would fit into, and what this would mean in terms of the applicability of the SPI reporting requirements.
- As part of the IPSASB's project on Making Materiality Judgements, the IPSASB is developing non-authoritative guidance based on the IASB's Practice Statement 2 *Making Materiality Judgements*. Questions are arising as to what form this document will take, noting that it is currently drafted as a stand-alone document, which is not an IPSAS and not a non-authoritative appendix accompanying an IPSAS, but presumably would apply specifically to GPFS.

4. These types of questions are likely to continue to arise, particularly with the introduction of IPSASB SRS and the potential development of authoritative requirements based on RPG 1 and RPG 3.

5. The development relating to IPSASB SRS and potential projects relating to RPG 1 and RPG2 also emphasise the importance of being clear about the boundaries of GPFS, other statements within GPFR, and the full GPFR. This is important from the perspective of users of GPFR – so that users are clear about where to find different types of financial and non-financial information that public sector entities report on. Also, from an assurance perspective, it is important for auditors and other assurance providers to be clear on the part(s) of GPFR that they are providing assurance on – e.g. whether it is the GPFS only, or GPFS and service performance information, or GPFS and sustainability information prepared under IPSAS SRS, etc. – and it is important for users of GPFR to understand the scope of the audit or assurance report.

6. Therefore, we support the IPSASB's forthcoming project to consider and clarify the architecture of IPSASB literature. We consider that it is important to have clarity over what pronouncements apply to what part of the GPFR and which guidance is mandatory vs voluntary to apply. We also consider that it is important to have clarity over the boundaries of GPFS, other components of GPFR, and the full GPFR. This clarity is important for:

- National standard-setters in determining whether and how to bring IPSASB pronouncements into their respective domestic standards suites;
- Preparers, in understanding what guidance applies to the different types of reports that they produce together with what information needs to be disclosed in which report;
- Users of public sector GPFR, in understanding where they can expect to find different types of information that public sector entities report on;
- Auditors and other assurance providers, in determining what part(s) of GPFR they are providing assurance over – this is also important for users to understand; and
- Jurisdictions transitioning to IPSAS and navigating their way through the IPSAS literature.

Projects linked to currently ongoing IASB projects

7. We strongly support the IPSASB's strategy of maintaining alignment with IFRS Accounting Standards where transactions are the same or similar between the public and private sectors. This approach ensures that IPSAS remain up to date with the latest international thinking and relevant and responsive to evolving economic conditions. It also supports mixed group entities, i.e. groups that encompass both public sector entities that apply IPSAS and for-profit entities that apply IFRS Accounting Standards, by enabling consistent accounting policies and facilitating the preparation of consolidated financial statements across the group.

8. We recommend that the IPSASB prioritise the commencement of projects related to:
   - IAS 37 *Provisions, Contingent Liabilities and Contingent Assets (Targeted Improvements Project)*; and
   - *Disclosures about Uncertainties in the Financial Statements*.

9. We broadly agree with the IPSASB analysis of the projects prioritisation criteria, and we consider these projects highly relevant for the public sector, given the prevalence of provisions and the increasing focus of climate-related risks and uncertainties for public sector entities.

10. While maintaining alignment with IFRS is essential, we recommend that the IPSASB carefully consider public sector-specific matters in these projects. For example, the recognition of commitments under the Paris Agreement and other government obligations may require tailored guidance to reflect the unique nature of public sector activities and reporting objectives. We recommend that it would also be important to consider the abovementioned projects in the context of the IPSASB's public sector-specific standards that relate to expenses and liabilities, e.g. IPSAS 42 *Social Benefits* and IPSAS 47 *Transfer Expenses*.

11. We encourage the IPSASB to use this opportunity to further improve consistency of IPSAS with the updated IPSAS Conceptual Framework – for example the consistency with the revised definition of a liability in the IPSAS Conceptual Framework.

12. Further, we acknowledge the IASB's comprehensive review of IAS 38 *Intangible Assets* has the potential to significantly improve the usefulness of information that entities provide about intangible assets in their financial statements, and to make IAS 38 more suitable for newer types of intangible items and new ways of developing and using them. However, the IASB's project is still at an early stage, and there is currently insufficient clarity about the direction and scope of any potential amendments. Once the IASB's project has progressed sufficiently for its direction

to be clear, we recommend that the IPSASB evaluate the IASB's proposals and consider whether corresponding updates to IPSAS 31 would be appropriate and whether additional public sector-specific guidance is needed.

IFRS 17 *Insurance Contracts*

13. We support the addition of a project to develop an IPSAS standard based on IFRS 17 *Insurance Contracts*. The absence of such a standard represents a notable gap in the IPSASB literature, particularly as insurance arrangements tend to be material once public sector entities enter into this type of contracts. For example, according to *Financial Statements of the Government of New Zealand for the Year Ended 30 June 2025*, insurance liabilities (of 70 billion NZD) represent over 17% of total liabilities of the government. Insurance liabilities may be material in other jurisdictions as well.

14. Addressing this gap would provide a more complete suite of IPSAS standards, facilitating the transition for jurisdictions moving from cash accounting or national standards to IPSAS.

15. A comprehensive set of standards is essential for global comparability, consistency, and credibility in public sector financial reporting. New Zealand and Australia have already developed and implemented public sector insurance contract standards (PBE IFRS 17 and AASB 17, respectively). Should other jurisdictions proceed to develop their own public sector insurance standards in the absence of an IPSASB standard, there is a real risk that global comparability and consistency will be undermined. Should several jurisdiction-specific standards be in place, achieving global alignment would likely be more difficult and costly, as jurisdictions would need to revisit and potentially amend standards that have already been implemented.

16. While we broadly agree with the IPSASB's analysis of the relevance and feasibility of an IFRS 17-based standard, we disagree with the suggestion that the nature of insurance contracts in the scope of IFRS 17 is not different in the public versus the private sector and that IFRS 17 can be adopted in the public sector without significant modifications.

17. Our experience in New Zealand and Australia demonstrates that public sector insurance arrangements differ fundamentally from those in the private sector, necessitating substantial amendments to IFRS 17 to ensure that the standard is fit for purpose in the public sector and avoids unintended consequences or excessive implementation costs.

18. For example, paragraph 16 of IFRS 17 requires to sub-group insurance contracts into contracts that are onerous at initial recognition, contracts that have no significant possibility of becoming onerous subsequently and other (non-onerous) contracts. In the private for-profit sector, the presumption is that insurers issue insurance contracts that are intended to be profitable. In contrast, most public sector entities price to break even on a best-estimate basis after taking into account projected investment returns. That is, the amounts collected in levies/premiums are typically inadequate to meet expected claims and most contracts are routinely onerous.

19. Public sector entities do not select customers or price for profit, and cross-subsidisation is common and policy-driven. Therefore, sub-grouping is less relevant in the public sector. Moreover, identifying some (possibly) non-onerous contracts from within a largely onerous portfolio of contracts and account for them separately would be very burdensome and the cost of doing so would not outweigh the benefit. Therefore, in New Zealand and Australia public

sector entities are not required to sub-group contracts into onerous/non-onerous groups. Instead, the portfolio is the main unit of account.

20. Other New Zealand/ Australian modifications to IFRS 17 for the public sector include clarifications around contract boundaries and risk adjustments, application of premium allocation approach, guidance on differentiating between insurance contracts and social benefit arrangements and certain other modifications. These modifications were developed through extensive consultation and field testing and are documented in detail in the Basis for Conclusions to PBE IFRS 17 (see paragraphs BC13–BC335).

21. Further, we believe the feasibility of the project should be classified as “High,” not “Medium” as currently assessed in the ‘Potential Projects’ document. New Zealand jointly with Australia has already completed the process of adapting IFRS 17 for the public sector, as reflected in PBE IFRS 17. The existence of PBE IFRS 17 means that the IPSASB can leverage this work, including the detailed public sector amendments and implementation guidance, significantly reducing the development effort for the IPSASB.

22. PBE IFRS 17 is effective for public sector entities from 1 January 2026, meaning it will be implemented for financial statements for the year ending 30 June 2027 and will be subject to audit in the third quarter of 2027. This timeline ensures that the standard will be operational and tested in practice by the time the IPSASB would be developing its own standard, offering valuable insights and a proven foundation for international adoption.

Specific Matter for Comment 2
Which IPSAS Standards do you think are the highest priority for the IPSASB to undertake a post implementation review? For each post implementation review you suggest, please clearly explain the issues with the existing IPSAS Standard and your priority reasoning using the IPSASB’s project prioritization criteria outlined on the previous page. Respondents are encouraged to use the format in the Optional Template illustrated in the Instructions for Respondents on the following page for each PIR suggested.

IPSAS 43 *Leases*

23. In August 2023, the NZASB agreed to commit to the finalisation of PBE IPSAS 43 *Leases,* based on IPSAS 43, for application by New Zealand public sector entities, but decided to defer finalisation of the project, subject to the then upcoming IASB Post-Implementation Review (PIR) of IFRS 16 *Leases*. Subsequently, in December 2024, the NZASB decided not to adopt the IPSASB amending standard *Concessionary Leases and Other Arrangements Conveying Rights over Assets*. The NZASB is yet to decide when the PBE IPSAS 43 project should recommence.

24. The NZASB decided not to adopt the *Concessionary Leases and Other Arrangements Conveying Rights over Assets,* as New Zealand stakeholders raised significant conceptual and cost-benefit-related concerns about the amending standard, and it was not clear that there are significant unmet user needs or public financial management issues in relation to concessionary leases. These concerns are described in detail in our comment letters to the

IPSASB's ED 84 *Concessionary Leases and Rights-of-Use Assets In-Kind* and ED *88 Arrangements Conveying Rights over Assets*.

25. Furthermore, our recent outreach on PIR of IFRS 16, on which IPSAS 43 is based, indicates that the standard results in significant costs and complexities for many preparers which are perceived to be disproportionate to the benefits. Some New Zealand public sector entities express similar concerns should PBE IPSAS 43 been issued. However, we believe that improvements in several areas of IPSAS 43 could enhance the usefulness of the information in the financial statements resulting from this standard, and reduce the cost burden for most preparers.

26. We acknowledge the IPSASB's indication that PIRs will generally not commence until at least five years after the effective date of a standard. However, we believe that commencing the PIR of IPSAS 43 straight after the IPSASB's pilot PIR on IPSAS 20 *Related Party Disclosures* would allow the IPSASB to take into account the IASB's PIR findings when determining which aspects of IPSAS 43 to focus on, and to complete the consultation on the PIR of IPSAS 43 at a similar time to when the IASB is expected to finalise its response to the PIR of IFRS 16. Thus, once the IASB finalises their response to the PIR of IFRS 16, the IPSASB can commence work on amendments to IPSAS 43, informed by both the outcomes of the IASB's conclusions and the outcomes of the IPSASB's own PIR. This approach would avoid two separate rounds of amendments to IPSAS 43 (first to align with IFRS 16 and later in response to the PIR of IPSAS 43) and would enable existing issues to be addressed in a timely and coordinated manner.

Other potential PIRs

27. Should the IPSASB decide not to undertake PIR of IPSAS 43 we proposed some other potential PIRs.

IPSAS 41 *Financial Instruments*

28. PBE IPSAS 41 *Financial Instruments*, which is closely based on IPSAS 41, was issued in New Zealand in March 2019 with the effective date of 1 January 2022. Despite being implemented for several years, New Zealand entities continue facing range of application issues and PIR could help identify and address those issues.

29. We acknowledge the IPSASB's indication that PIRs will generally not commence until at least five years after the effective date of a standard. However, we believe that the PIRs for IPSAS 41 should commence sooner rather than later.

IPSAS 35 *Consolidated Financial Statements*

30. We broadly agree with the IPSASB's assessment of the prioritisation criteria and we consider IPSAS 35 *Consolidated Financial Statements* to be of higher priority for post implementation review (PIR). New Zealand entities have encountered practical difficulties in applying the definition of control, especially where statutory or regulatory frameworks intersect with operational realities.

31. Further, when adopted in New Zealand as PBE IPSAS 35, the NZASB considered that the guidance about predetermination in IPSAS 35 was helpful, but not sufficient to lead to consistent and appropriate assessments of control by public benefit entities in New Zealand

and expanded this guidance. The reasons for the modification are described in paragraphs BC4 – BC10 of PBE IPSAS 35.

32. A PIR would be useful to understand whether other jurisdictions have also experienced challenges and/or made modifications to avoid challenges in this area and whether amendments to IPSAS 35 are needed.

IPSAS 40 *Public Sector Combinations*

33. IPSAS 40 *Public Sector Combinations* is another standard where a PIR would be beneficial. IPSAS 40 contains public sector-specific requirements on accounting for amalgamations, and a PIR would be a good opportunity to assess how well these requirements are working in practice.

34. Further, when adopted in New Zealand as PBE IPSAS 40, the NZASB made several modifications to IPSAS 40 to better suit the New Zealand environment. For example, the NZASB:

- Modified the definitions of 'equity interests' and 'owners' to reflect the New Zealand public benefit entities' broader view of equity interests and owners;
- Added guidance on how to apply the modified pooling of interests method if one of the combining operations had not applied PBE Standards prior to the amalgamation; and
- Required recognition of previously unrecognised assets and liabilities of the combining operations (which is not permitted under IPSAS 40).

New Zealand modifications are summarised in PBE IPSAS 40 in the section *Comparison with IPSAS 40* and further explained in the Basis for Conclusions to PBE IPSAS 40.

35. PIR would provide an opportunity to assess whether other jurisdictions are experiencing challenges similar to those that the NZASB sought to address through the modifications described above, or whether they have made other modifications to IPSAS 40 to mitigate anticipated challenges, how well these modifications are working in practice, whether further international guidance is needed, and whether the standard is suited for jurisdictions transitioning into IPSAS.

Specific Matter for Comment 3
Which sustainability reporting projects should the IPSASB prioritize? For each sustainability reporting project you suggest, please clearly explain the project scope and your reasoning, using the IPSASB's project prioritization criteria outlined on the previous page, to support its priority. Respondents are encouraged to use the format in the Optional Template illustrated in the Instructions for Respondents on the following page for each project suggested.

36. We have not developed response to this question as, at present, there is no mandate for the XRB to issue public sector sustainability reporting standards.

IPSASB International Public Sector Accounting Standards Board®

STRATEGY AND WORK PROGRAM 2024-2028

WORK PROGRAM CONSULTATION

CONSULTATION OCTOBER 2025

COMMENT DEADLINE MAY 4, 2026

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CHAIR'S MESSAGE

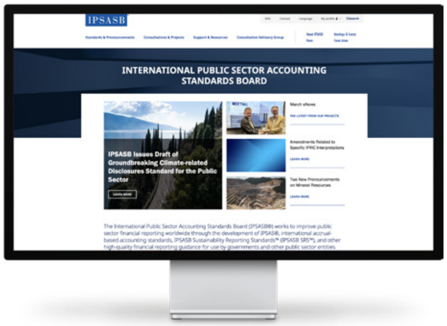
IAN CARRUTHERS
IPSASB Chair

In October 2024, the International Public Sector Accounting Standards Board® (IPSASB® or Board) released its 2024-2028 Strategy and Work Program (Strategy). The new Strategy reflects the significant developments that are reshaping the landscape in which the IPSASB operates:

- Our growing user community;
- The maturity of the International Public Sector Accounting Standards™ (IPSAS® Standards);
- The development of sustainability reporting standards; and
- The changing information needs of users of financial statements and financial reports.

The Strategy responds to these evolving constituent needs by rebalancing our financial reporting resources to include a new focus on maintaining the suite of IPSAS Standards through the creation of the IPSASB Application Group and initiating a formal program of post implementation reviews. The Board has also extended its standard setting activities through developing the first IPSASB Sustainability Reporting Standard (IPSASB SRS™ Standards) on Climate-related Disclosures.

In the Strategy we committed that as resources became available, we would consult with you, our stakeholders, to understand your greatest needs in relation to financial reporting projects, post implementation reviews and sustainability reporting projects. This consultation document fulfils that commitment.



Its publication comes at an important time for the Board as I prepare to hand over to the new Chair – Thomas Müller-Marqués Berger. It has been a huge privilege to lead the Board through the last ten years, and the achievements of that period stand testament to the amazing efforts of our Board members, technical advisors, observers and of course the IPSASB staff, as well as to the advice we have received from the Public Interest Committee (PIC), the Consultative Advisory Group (CAG), and the advisory groups in our broader ecosystem. However, none of this would have been possible without the support of you, our stakeholders.

Many new and exciting challenges lie ahead. I would like to thank everyone for the support I have received during my term as IPSASB Chair, and I would like to ask you to continue to support my successor and the Board by responding to this consultation. It is essential that we continue to meet your needs through our Work Program, and we look forward to hearing about the items you think are the highest priority and your arguments on why the IPSASB should allocate resources to these projects during the remainder of the 2024-2028 Strategy period.

Ian Carruthers, IPSASB Chair

CONSULTATION PURPOSE

The IPSASB's Strategic Objective for the 2024-2028 period is:

Strengthening Public Financial Management[1] (PFM) and sustainable development[2] globally through increasing adoption and implementation of accrual IPSAS and International Public Sector Sustainability Reporting Standards.

The IPSASB delivers its Strategic Objective in two ways:

Delivering Global Standards – Developing and maintaining public sector financial and sustainability reporting standards.

Inspiring Adoption and Implementation – Raising awareness of IPSASB Standards and the benefits of their adoption and implementation.

FIGURE 1. Delivering on the Strategic Objective

As part of the current Strategy, the IPSASB committed that as resources become available, the Board would consult stakeholders to evaluate their greatest needs to determine what should be added to the Board's future Work Program, which resides within the 'Delivering Global Standards' section of Figure 1.

[1] Public Financial Management (PFM), in its broadest sense, is the system by which financial resources are planned, directed and controlled, both externally to and internally within the public sector entity, to enable and influence the efficient and effective delivery of public sector outcomes.

[2] Sustainable development meets the needs of the present without compromising the ability of future generations to meet their needs.

CURRENT WORK PROGRAM & RESOURCE AVAILABILITY

The figure below outlines the Board's current Work Program.

FIGURE 2. IPSASB Current Work Program 2025-2028

<table>
<tr><th>H2 2025</th><th>H1 2026</th><th>H2 2026</th><th>H1 2027</th><th>H2 2027</th><th>H1 2028</th><th>H2 2028</th></tr>
<tr><td>Definition of Material: Narrow Scope Amendments</td><td colspan="6"></td></tr>
<tr><td>IPSAS 33 – Limited Scope Update</td><td colspan="6"></td></tr>
<tr><td>Natural Resources</td><td colspan="6"></td></tr>
<tr><td colspan="3">Measurement – Application of Current Operational Value in IPSAS 31: Narrow Scope Amendments</td><td colspan="4"></td></tr>
<tr><td colspan="3">Making Materiality Judgements (MMJ): Financial Reporting</td><td colspan="4"></td></tr>
<tr><td colspan="7">Presentation of Financial Statements</td></tr>
<tr><td>Sustainability: Climate-related Disclosures: Own Operations (Phase 1)</td><td colspan="6">Implementation Support / Education Material (MMJ)</td></tr>
<tr><td colspan="3">Sustainability: Climate-related Disclosures: Public Policy Programs (Phase 2)</td><td colspan="4">Implementation Support</td></tr>
<tr><td colspan="2">Strengthening Linkages between IPSAS Standards and the GFSM (Phase 1)</td><td colspan="5">(Phase 2)</td></tr>
<tr><td colspan="7">Improvements to IPSAS (including IPSAS improvements, IFRS® alignment improvements, and reduction of GFS differences)</td></tr>
<tr><td colspan="7">IPSASB Application Group</td></tr>
<tr><td colspan="7">Post Implementation Reviews</td></tr>
</table>

Items in blue represent current ongoing IPSASB financial reporting and sustainability reporting projects. Items in green represent ongoing items primarily related to implementation and education support activities which utilize IPSASB resources - including maintenance activities. The bars represent the expected timing of completion for all ongoing projects, and the expected commencement and completion for new projects.

While the number of new projects the IPSASB could undertake will be constrained by the availability of resources, understanding the greatest needs of stakeholders will allow the Board to determine how best to deploy resources as they become available. This includes the allocation of resources between new projects, implementation support, and maintenance activities. As shown in Figure 2, resources to undertake new initiatives are anticipated to start to become available in 2026. As a result, the IPSASB decided that now is the time to consult with stakeholders to determine their needs to facilitate a seamless transition between current projects and the Board's future Work Program.

ROSS SMITH
Program & Technical Director

Note from Program & Technical Director

Based on resource availability the Board anticipates being able to undertake up to the equivalent of two additional major projects*, likely one beginning late 2026/early 2027 and another beginning late 2027/early 2028. However, this may be optimistic based on the Board's current ongoing projects and resources. As a result, it is imperative when responding for stakeholders to clearly articulate which projects would best meet their needs at this time.

* Note this does not include post implementation reviews (PIRs) as there are already separate resources allocated in the Work Program for PIRs.

FUTURE WORK PROGRAM

The Board's Work Program, which resides within the **'Delivering Global Standards'** section of Figure 1 and is the focus of this consultation, includes financial reporting and sustainability reporting. Both elements of the Work Program include project work to develop new, or update existing, pronouncements. However, the maturity of the financial reporting pronouncements also requires activities to maintain the existing suite of IPSAS Standards such as through post implementation reviews.

FIGURE 3. Elements of Work Program

Financial Reporting Projects

Standard setting projects that develop financial reporting guidance can be either:

- **Public Sector Specific** – Projects that address gaps in the IPSAS Standards, address emerging issues, or clarify existing principles that require a public sector solution.
- **International Alignment** – Developing pronouncements which faithfully represent the economic substance of transactions in the public sector by drawing on relevant International Financial Reporting Standards (IFRS®) and Government Finance Statistics (GFS) requirements. Following its relevant processes the IPSASB reduces unnecessary differences with these sources of guidance when they can also be applied in the public sector context.

Specific Matter for Comment SMC 1 seeks to determine which future financial reporting projects are your greatest priority.

Post Implementation Reviews

The IPSASB's Strategic Objective for its 2024-2028 Strategy has rebalanced its financial reporting work program to increase the focus on maintenance of existing IPSAS Standards. Consequently, the Board has established a framework to carry out Post Implementation Reviews (PIRs).

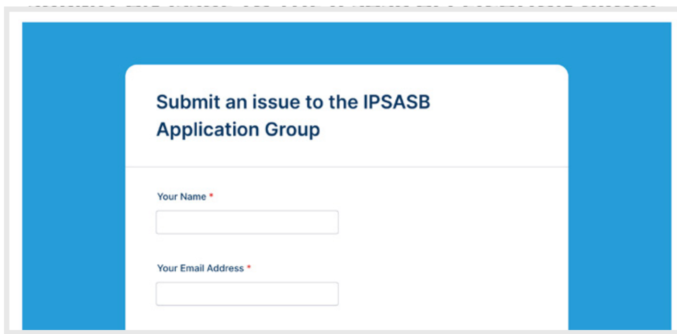
A PIR is intended to assess whether the effects of applying the core text and application guidance (collectively, the requirements) of an existing IPSAS Standard on primary users of the financial statements, preparers, auditors and regulators are as originally intended by the IPSASB when the Standard was developed. This assessment includes consideration of:

- The clarity and suitability of the core objectives or principles in the requirements, including whether the requirements continue to reflect consideration of the public interest;
- Whether there are questions arising about specific aspects of applying the requirements;
- The benefits and costs arising from the requirements as compared to what was originally expected by the IPSASB when the requirements were developed; and
- How any contentious matters raised during the development of the requirements and developments since are being addressed in practice.

The PIR process will consider information previously provided by stakeholders related to application of the IPSAS Standard and will request additional information from stakeholders seeking to understand any issues with, or unintended consequences from, applying the IPSAS Standard. The IPSASB will then assess the information provided to determine the next steps. A PIR will generally not commence until at least five years after the IPSASB's effective date of a standard and will not be applied to ongoing standard setting projects as issues have not been identified as part of the research for project scoping.[3]

It is important to note that a PIR is not a standard setting project itself. Instead, a PIR is an information gathering process which allows the IPSASB to gather feedback from stakeholders on potential issues in practice with an existing IPSAS Standard, gain an understanding of such issues and their impact, and then assess that information to determine next steps. In some cases, a PIR may result in a future standard setting project (e.g. amendments to existing guidance, issuance of new guidance, etc.) based on the Board's analysis of the responses to the PIR consultation, or it may result in the issuance of educational or other non-standard setting support materials, or it may result in no actions. This differentiates a PIR from a financial reporting project, which is a standard setting project, as outlined in the previous section above.

SMC 2 seeks to determine which IPSAS Standards have resulted in issues in practice that warrant consideration by the IPSASB. It also seeks to understand those IPSAS Standards that are the highest priority for the Board to examine through a PIR to understand the issues and determine whether any future standard setting or other actions are required.



As part of its maintenance activities, the IPSASB has established the IPSASB Application Group (IAG). The IAG was established to analyze stakeholder issues identified through the application of IPSAS Standards and make a recommendation to the IPSASB on how to address the issue. In some cases, this may result in a standard setting project. Stakeholders are encouraged to submit issues on the IAG submissions page.

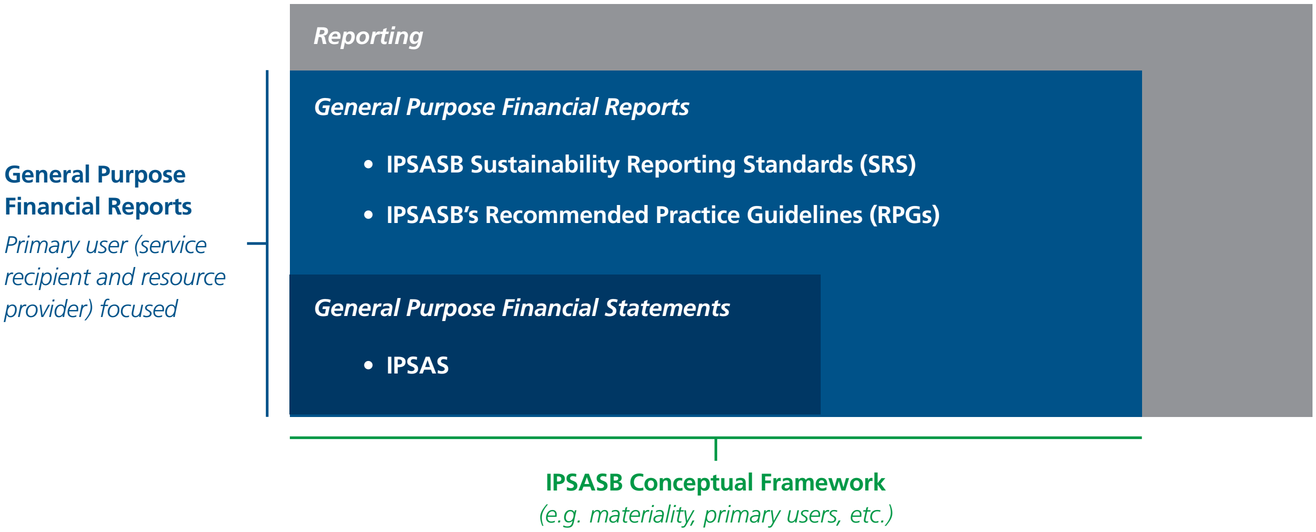
[3] In terms of the timing of a PIR, IPSAS Standards are applied globally, in some cases directly, and in other cases indirectly through a local endorsement process that may require a translation process, and which also may make changes to the IPSAS Standards' requirements. Therefore, it takes time for application issues and trends to emerge after the effective date of a standard. As a result, in general a PIR would not be considered until at least five years after the effective date of a standard, though this timing could change depending on the situation.

Sustainability and Other Reporting Projects

As the Board works through the wide range of comments received on the *Climate-related Disclosures* Exposure Draft, and moves towards finalizing the first first IPSASB SRS Standard, it has begun to think about the priorities for its future work in this crucial and evolving area. There is a variety of potential options available, some of which challenge the scope and architecture of the IPSASB's existing suite of literature, for example through building on some of IPSASB's Recommended Practice Guidelines (RPG™ Guidelines).

Figure 4 illustrates the IPSASB's area of responsibility relative to the public sector reporting landscape, as well as the interoperability of the IPSASB's materials.

FIGURE 4. Visualization of the IPSASB's Remit and the Reporting Landscape



The lighter blue box represents everything that fits into general purpose financial reports (GPFR), which includes:

IPSAS Standards – the global public sector standards related to financial reporting in an entity's general purpose financial statements (GPFS). GPFS are the foundation for high-quality information related to an entity's financial position and performance as well as a stable core to provide disclosures in GPFR.

IPSASB SRS Standards – will be the global public sector standards related to sustainability disclosures outside of an entity's financial statements and in an entity's GPFR.

RPG Guidelines – are non-authoritative pronouncements that provide guidance on good practices in preparing GPFR that are not financial statements.

To support its work program decisions following this consultation, the IPSASB plans to undertake research on the architecture of its existing suite of literature to determine where guidance is best situated. The completion of each additional piece of guidance will add pressure to the IPSASB to better define, situate and be clear on the applicability of guidance when developing its standards on both financial and sustainability reporting.

SMC 3 seeks to determine which future sustainability reporting projects should have the greatest priority.

Project Prioritization Criteria

Delivering public sector financial and sustainability reporting standards is central to the IPSASB's role as a standard setter. To ensure its Work Program is relevant and focused on the appropriate activities, the IPSASB applies specific criteria to help it assess which projects are most relevant globally and would provide the most significant public interest benefit when considering the needs of primary users of financial and sustainability reports.

The IPSASB will evaluate potential financial reporting projects, post implementation reviews and sustainability reporting projects proposed by respondents against the following criteria when determining which projects to add to the Work Program:

- **Prevalence** – Whether the financial reporting/sustainability reporting issue is widespread globally amongst public sector entities.
- **Consequences** – Whether the issue impairs the ability of the financial statements/general purpose financial reports to provide useful information for accountability and decision making.
- **Urgency** – Whether the emerging issue has recently gained prominence and therefore requires consideration in the near term.
- **Feasibility** – Whether a technically sound solution to the issue can be developed within a reasonable time period and current resource constraints without impacting adversely on the completion of other projects.

As a result, when responding to the SMCs, respondents are asked to ensure their feedback clearly explains, to the best of their ability, their assessment of each project recommended against the above criteria.

The projects the Board adds to its Work Program as a result of this consultation will reflect the highest priority projects based on the feedback received, the assessment of the project against the project prioritization criteria and the resources available, and may not be allocated equally between each of the three project categories.

REQUEST FOR COMMENTS

This Work Program Consultation was developed and approved by the IPSASB.

Comments are requested by May 4, 2026.

Specific Matters for Comment (SMCs)

Specific Matter for Comment 1

Which financial reporting projects should the IPSASB prioritize? For each financial reporting project you suggest, please clearly explain the project scope and your reasoning, using the IPSASB's project prioritization criteria outlined on the previous page, to support its priority. Respondents are encouraged to use the format in the Optional Template illustrated in the Instructions for Respondents on the following page for each project suggested.

Specific Matter for Comment 2

Which IPSAS Standards do you think are the highest priority for the IPSASB to undertake a post implementation review? For each post implementation review you suggest, please clearly explain the issues with the existing IPSAS Standard and your priority reasoning using the IPSASB's project prioritization criteria outlined on the previous page. Respondents are encouraged to use the format in the Optional Template illustrated in the Instructions for Respondents on the following page for each PIR suggested.

Specific Matter for Comment 3

Which sustainability reporting projects should the IPSASB prioritize? For each sustainability reporting project you suggest, please clearly explain the project scope and your reasoning, using the IPSASB's project prioritization criteria outlined on the previous page, to support its priority. Respondents are encouraged to use the format in the Optional Template illustrated in the Instructions for Respondents on the following page for each project suggested.

INSTRUCTIONS FOR RESPONDENTS:

Respondents may respond to some or all of the SMCs as relevant to their situation.

Importance of Using Project Prioritization Criteria

Respondents are asked to respond to the SMCs using the IPSASB's Project Prioritization Criteria for each financial reporting project, post implementation review and sustainability reporting project they suggest the IPSASB add to its Work Program. Respondents analysis of each suggested project should address the prevalence, consequences, urgency and feasibility of the project and clearly explain why a project is a priority to the respondent. Respondents are encouraged to provide this information to the best of their abilities for each proposed project. This is important because the IPSASB will evaluate respondents' suggested projects using this project prioritization criteria when deciding which projects to ultimately add to its future Work Program. By including this information for each proposed project, respondents will be better able to demonstrate to the IPSASB why the project should be added to the future Work Program.

Optional Template

Respondents are encouraged to use the following format to explain each project they recommend the IPSASB add to its future Work Program.

[Project Title]

Project Description: Include:

- A description of the project scope (i.e. Explain in detail what the project would entail and the issue it is trying to solve. For example:
  - If there is an issue with implementation of an existing IPSAS Standard, the project description would explain the issue and potentially:
    - Suggest ways to resolve the issue, such as amendments to the Standard wording, the addition of application guidance or illustrative examples that would provide clarity; or
    - Explain why the IPSASB should undertake a PIR on that Standard to gain a better understanding of the issues and ways to address them.
  - If the respondent believes a new IPSAS Standard or IPSAS SRS Standard is needed to provide guidance on a transaction/area where the existing Standards do not already provide guidance, the project description should explain the transaction/area and what new guidance would be needed to address it); and
- An explanation of why the project meets the respondent's needs and is a high priority to the respondent.

Prioritization Criteria	Analysis
Prevalence	[State whether the respondent would rank this specific criterion for this project as Low, Medium or High and explain why]
Consequences	[State whether the respondent would rank this specific criterion for this project as Low, Medium or High and explain why]
Urgency	[State whether the respondent would rank this specific criterion for this project as Low, Medium or High and explain why]
Feasibility	[State whether the respondent would rank this specific criterion for this project as Low, Medium or High and explain why]

For examples of the above format being used to explain a potential project, refer to the Potential Project document, which is posted separately. However, note that respondents are encouraged to include as much information as necessary to clearly explain their proposed project and rational.

HOW TO SUBMIT A COMMENT:

Respondents are asked to submit their comments electronically through the IPSASB website, using the **Submit a Comment** link. Please submit comments in both a PDF and Word file. Comments must be received in English to be considered. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website.

This publication may be downloaded from the IPSASB website: www.ipsasb.org. The approved text is published in the English language.

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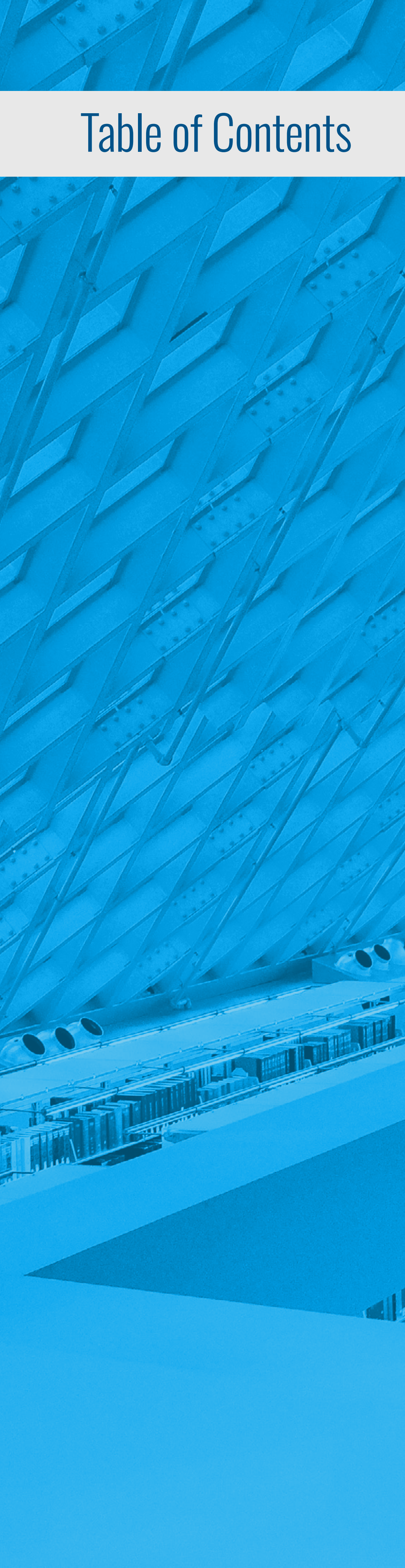
STRATEGY AND WORK PROGRAM 2024-2028

WORK PROGRAM CONSULTATION

POTENTIAL PROJECTS PREPARED BY IPSASB STAFF

OCTOBER 2025



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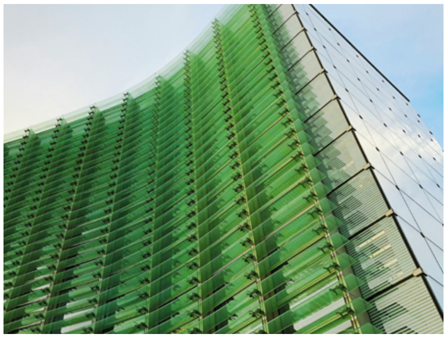
This document has been prepared by IPSASB staff. It is a non-authoritative document issued for informational purposes only.

POTENTIAL PROJECTS

The following is a list of potential projects that stakeholders have suggested through previous consultations for the International Public Sector Accounting Standards Board® (IPSASB®) to consider adding to its future Work Program. This list includes some projects the IASB is currently working on that may have relevance for the public sector. This list of potential projects has been summarized by IPSASB staff. The list is non-authoritative and is issued for informational purposes only. In responding to the IPSASB's Work Program Consultation, stakeholders may consider whether any of these projects, or variation on these projects, meet their greatest financial reporting and/or sustainability reporting needs.



Financial Reporting Projects

Projects that are not affected by a currently ongoing IASB® project[1]

- Disclosure of Tax Expenditures
- IFRS 17 *Insurance Contracts*
- RPG 2, *Financial Statement Discussion and Analysis* (Improvement Project)
- Better Communication in Financial Reporting (Potential Disclosures Project)

Projects that are affected by a currently ongoing IASB project[2]

- Rate-regulated Activities (IFRS® 14 *Regulatory Deferral Accounts* and *Future IFRS Accounting Standards*)
- IAS 37 *Provisions, Contingent Liabilities and Contingent Assets (Targeted Improvements Project)*
- IAS 38 *Intangible Assets (Comprehensive Review)*
- Climate-related and Other Uncertainties in the Financial Statements

A description of what each of these financial reporting projects could entail and staff's initial assessment of the project against the IPSASB's project prioritization criteria is provided in the next section below for your information.

Post Implementation Reviews

- IPSAS 18, *Segment Reporting*
- IPSAS 35, *Consolidated Financial Statements*

Sustainability and Other Reporting Projects

- General sustainability-related disclosures
- Developing authoritative guidance based on RPG 1, *Reporting on the Long-term Sustainability of an Entity's Finance*
- Developing authoritative guidance based on RPG 3, *Reporting Service Performance Information*
- Nature-related disclosures

A description of what each of these sustainability reporting projects could entail and staff's initial assessment of the project against the IPSASB's project prioritization criteria is provided in the next section below for your information.

[1] The list of potential financial reporting projects has been split into two sections. This first section lists potential projects that are not affected by current projects the International Accounting Standards Board (IASB) is working on related to International Financial Reporting Standards (IFRS). Such projects could theoretically be started when the IPSASB has available resources if they were determined to be of the highest priority to respondents.

[2] The list of potential financial reporting projects has been split into two sections. This second section lists potential projects that are affected by current projects the IASB is working on related to IFRS. In terms of timing, if such projects were determined to be of the highest priority to respondents, they would not be started by the IPSASB until the related IASB project was completed (i.e. because the project would entail looking at the final guidance/outcome of the IASB project to determine if similar guidance would be appropriate for the public sector) and the IPSASB had available resources.

ANALYSIS OF POTENTIAL PROJECTS AGAINST THE IPSASB'S PROJECT PRIORITIZATION CRITERIA

Financial Reporting Projects

Projects that are not affected by a currently ongoing IASB project

Disclosure of Tax Expenditures	
This project would develop proposals for disclosures on tax expenditures, to strengthen accountability and public financial management. IPSAS 23, *Revenue from Non-exchange Transactions (Taxes and Transfers)*, and its replacement IPSAS 47, *Revenue*, have requirements for tax expenses[3] and tax expenditures.[4] Tax expenditures are foregone revenue, not expenses, and do not give rise to inflows or outflows of resources. IPSAS 23/IPSAS 47 requires taxation revenue to be presented net of tax expenditures. Therefore, providing disclosures on the forgone revenue as a result of the tax expenditures can be expected to provide useful information to primary users for accountability purposes.	
Prioritization Criteria	**Analysis**
Prevalence	**Low** – Limited to tax collecting entities in the public sector.
Consequences	**Medium** – The treatment of tax expenditures raises a public interest concern because of the potential lack of transparency in the provision of tax concessions, which impairs the accountability of governments.
Urgency	**Low** – Not considered an emerging issue in the public sector. Does not directly relate to the face of financial statements, but an important accountability implication which pervasiveness is dependent on the use of tax expenditures in each jurisdiction.
Feasibility	**Medium** – The IPSASB can draw from its Conceptual Framework and from the work of the Federal Accounting Standards Advisory Board (FASAB) on tax expenditures and the International Monetary Fund (IMF) Manual of Fiscal Transparency to develop guidance in this area.

[3] Benefits paid through the tax system, for example health insurance contributions.

[4] Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others. It is the use of the tax system to encourage or discourage behaviors, for example allowing homeowners to deduct mortgage interest from gross income to reduce taxable income.

Financial Reporting Projects

Projects that are not affected by a currently ongoing IASB project

IFRS 17 *Insurance Contracts*	
IFRS 17 provides guidance to account for all types of insurance contracts. This is a topic with potential public sector applicability in certain jurisdictions where public sector entities provide insurance contracts. In the public sector, IFRS 17 is likely to be limited to entities issuing insurance contracts or that operate schemes that could be considered a provision of insurance coverage. At this time, these arrangements are not thought to be an issue globally relevant to public sector entities. As the IPSASB does not have a specific IPSAS currently providing guidance for insurance accounting, entities that are acting as insurers or issuing insurance contracts could use the GAAP hierarchy provided in IPSAS 3, *Accounting Policies, Change in Accounting Estimates and Errors*, to develop accounting policies in line with the guidance in IFRS 17.	
Prioritization Criteria	**Analysis**
Prevalence	**Low** – Limited in the public sector to those entities issuing insurance contracts.
Consequences	**Low** – The absence of an IPSAS based on IFRS 17 does not appear to have detrimental effects on the usefulness of financial statements. Especially given that the nature of insurance contracts in the scope of IFRS 17 is not thought to be different in the public versus the private sector.
Urgency	**Low** – Not considered an emerging issue in the public sector. The IPSASB has not identified a global need for an IPSAS aligned with IFRS 17.
Feasibility	**Medium** – IFRS 17 is a high-quality standard that may provide a sound basis for an aligned IPSAS. However, extending the concept of an insurance contract to the public sector context presents a number of challenges related to insurance style arrangements, including that governments may be the lender of last resort in some situations. As such, if the IPSASB was to consider undertaking a project in this area further initial research would need to be performed to determine the appropriate scope of such a project and guidance to be developed for the public sector.

RPG 2, ***Financial Statement Discussion and Analysis*** (Improvement Project)	
Recommended Practice Guideline (RPG) 2, provides non-authoritative guidance for preparing and presenting financial statement discussion and analysis (FSD&A). Financial statement discussion and analysis assists primary users in understanding the financial position, financial performance and cash flows presented in the general-purpose financial statements. This project would consider the IASB's Management Commentary project which revised Practice Statement 1 *Management Commentary*. The IASB issued the revised Practice Statement 1 in June of 2025. This project would evaluate whether the amendments to the guidance developed for the private sector are applicable to the public sector and whether it provides useful information to public sector primary users.	
Prioritization Criteria	**Analysis**
Prevalence	**Low** – Limited in the public sector to those entities that apply RPG 2 and prepare FSD&A.
Consequences	**Medium** – Improvements to communication of FSD&A may help primary users better understand the entity's financial position, financial performance and cash flows presented in its financial statements.
Urgency	**Low** – Public sector stakeholder can apply the IASB developments on their own to improve FSD&A communication to primary users.
Feasibility	**Medium** – The IPSASB could draw from the work of the IASB on Management Commentary as appropriate for the public sector.

Financial Reporting Projects

Projects that are not affected by a currently ongoing IASB project

Better Communication in Financial Reporting (Potential Disclosure Project)	
This project would consider the outputs of the IASB's Disclosure Initiative project where relevant for the public sector and not already addressed through a previous or current IPSAS project. The IPSASB would consider potential changes as part of a narrow scope amendments project when resources are available or on an ad hoc basis as part of annual improvements.	
Prioritization Criteria	**Analysis**
Prevalence	**High** – Disclosures impact public sector entities widely.
Consequences	**Medium** – Improvements to financial reporting communication by public sector entities and the development of disclosures by the IPSASB may make financial statements more meaningful and useful to primary users.
Urgency	**Low** – IPSAS Accounting Standards already include robust disclosures, and the IPSASB has already/is currently in the process of addressing some aspects of the IASB's Disclosure Initiatives project, including developing guidance around applying materiality to disclosures.
Feasibility	**Medium** – The IPSASB could draw from the work of the IASB's Disclosure Initiative project as appropriate for the public sector. However, such a project should be undertaken after the IPSASB's Presentation of Financial Statements project is completed.

Financial Reporting Projects

Projects that are affected by a currently ongoing IASB project

Rate-regulated Activities (IFRS 14 *Regulatory Deferral Accounts and Future IFRS Accounting Standards*)	
Rate regulation is the setting of customer prices for services or products often when an entity has a monopoly or dominant market position that gives it significant market power. In the public sector some controlled entities are subject to regulation, for example, government owned telecommunications entities. IPSAS does not currently contain guidance on accounting for rate-regulated activities. The IASB expects to issue IFRS X *Regulatory Assets and Regulatory Liabilities*, in the second half of 2025, replacing IFRS 14 (interim standard), based on the Exposure Draft, *Regulatory Assets and Regulatory Liabilities*. The IPSASB could leverage this work to develop related guidance for IPSAS.	
Prioritization Criteria	**Analysis**
Prevalence	**Low** – The issue is limited to rate regulated industries (such as electric or gas utilities), and potentially regulatory entities. It is likely that most entities affected by rate regulation are profit seeking entities reporting under IFRS or national for-profit standards.
Consequences	**Low** – Not expected to impair the ability of financial statements to provide useful information, as entities operating in regulated industries are likely applying IFRS or national for-profit standards.
Urgency	**Low** – Not an emerging issue in the public sector.
Feasibility	**Medium** – The IPSASB could leverage from the expected IFRS to be issued in the second half of 2025, if deemed applicable to the public sector. Consideration of whether a public sector rate regulated accounting standard is needed would not occur until after the IFRS is completed and issued in the second half of 2025.

Financial Reporting Projects

Projects that are affected by a currently ongoing IASB project

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* *(Targeted Improvements Project)*	
IAS 37 provides guidance on accounting for provisions, contingent liabilities and contingent assets. The IASB is currently undertaking a project proposing amendments to IAS 37 to clarify how entities assess when to record provisions, including levies currently accounted for under IFRIC 21 *Levies*, and how to measure them. The amendments would also require entities to provide more information about the measurement of provisions. IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, is based on IAS 37. As such the amendments from the IASB's project would be relevant for IPSAS Standards and all public sector entities with provisions, particularly long-term provisions such as asset decommissioning obligations. The IASB is currently reviewing feedback received from respondents on its Exposure Draft proposing the amendments to IAS 37.	
Prioritization Criteria	**Analysis**
Prevalence	**High** – Expected to impact public sector entities widely as most entities have provisions.
Consequences	**Medium** – Clarifications to assist public sector entities in assessing when to record provisions and how to measure them may result in more consistency in practice and more useful information to financial statement primary users. Additionally, maintaining alignment with IFRS where transactions are the same or similar between the public and private sector would be beneficial. However, there may be public sector specific considerations that need to be taken into account in undertaking such a project.
Urgency	**Medium** – IPSAS Standards currently contain guidance on accounting for provisions. The IASB's project is still in progress and the amendments have not yet been finalized, so there are no new differences between the IFRS and IPSAS guidance at the moment. The IASB is currently reviewing feedback received from respondents on its Exposure Draft proposing the amendments to IAS 37. As such, the IPSASB would wait until after the IASB's project is finished before it would begin a similar project.
Feasibility	**Medium** – The IPSASB could draw on amendments the IASB makes to IAS 37 to make similar amendments to IPSAS 19 and other impacted IPSAS Standards as appropriate for the public sector. However, the IASB's project is still in progress and the IPSASB would wait until after the IASB's project is finished before it would begin a similar project. Additionally, there may be other public sector specific issues related to provisions and impacts on other IPSAS Standards that the IPSASB would need to consider as part of such a project.

Financial Reporting Projects

Projects that are affected by a currently ongoing IASB project

IAS 38 ***Intangible Assets*** *(Comprehensive Review)*	
IAS 38 provides guidance on accounting for intangible assets. The IASB is currently undertaking a project to perform a comprehensive review of IAS 38 with the objective of improving the usefulness of information entities provide about intangible items in their financial statements and making the Standard more suitable for newer types of intangible items and new ways of using them. IPSAS 31, *Intangible Assets*, is based on IAS 38. As such, amendments resulting from the IASB's project would be relevant for IPSAS Standards and public sector entities with intangible assets. The IASB project is currently in the initial stages.	
Prioritization Criteria	**Analysis**
Prevalence	**High** – Expected to impact entities widely as most public sector entities have intangible assets.
Consequences	**High** – Guidance that improves the usefulness of information entities provide about intangible assets in their financial statements and is more suitable for new types of intangible items and new ways of using them would be beneficial in the public sector. Additionally, maintaining alignment with IFRS where transactions are the same or similar between the public and private sector would be beneficial. However, there may be additional public sector specific considerations for intangible assets that need to be taken into account in undertaking such a project depending on the direction the IASB determines for the project.
Urgency	**Low** – IPSAS currently contains guidance on accounting for intangible assets. The IASB's project is still in the early stages and no amendments have even been proposed yet.
Feasibility	**Medium** – The IPSASB could draw on any amendments the IASB makes to IAS 38 to make similar amendments to IPSAS 31 and other impacted IPSAS as appropriate for the public sector. However, as previously noted, the IASB project is in the very early stages. As such, the IPSASB would wait until after the IASB's project is finished before it would begin a similar project so as to leverage the work performed by the IASB and to minimize differences in accounting for intangible assets between the private and public sector where there is no public sector reason for a departure. If the IPSASB was to perform a comprehensive review of IPSAS 31 it would also need to determine if specific public sector guidance was needed in areas where public sector intangible items differ from the private sector.

Financial Reporting Projects

Projects that are affected by a currently ongoing IASB project

Climate-related and Other Uncertainties in the Financial Statements	
The IASB is currently working on a project proposing to add examples illustrating how an entity applies the requirements in IFRS Accounting Standards to report the effects of climate-related and other uncertainties in its financial statements. The IASB issued an Exposure Draft, *Climate-related and Other Uncertainties in the Financial Statements*, in late 2024 and at its June 2025 meeting decided to proceed with the proposals with limited changes. The IASB expects to issue final illustrative examples in the second half of 2025. As in the private sector, climate-related and other uncertainties also affect the financial statements of public sector entities. Thus, some of the illustrative examples from the IASB's project may be relevant for the public sector. As such, the IPSASB could undertake a similar project leveraging the IASB guidance in addition to considering other public sector specific illustrative examples.	
Prioritization Criteria	**Analysis**
Prevalence	**Medium** – Expected to impact entities widely as most public sector entities are impacted by climate-related and other uncertainties.
Consequences	**Medium** – May result in improved clarity and consistency in how public sector entities report the financial effects of climate-related risks and other uncertainties in their financial statements which would provide more useful information to financial statement primary users.
Urgency	**Medium** – While information on these types of risks and their financial effects is being requested more often by stakeholders, entities have the ability to make disclosures about the financial effects of climate-related and other uncertainties in their financial statements currently without additional guidance being developed.
Feasibility	**High** – The IPSASB could draw on amendments the IASB makes to IFRS Accounting Standards to make similar amendments to IPSAS Accounting Standards as appropriate for the public sector. However, the IASB's project is still in progress and the amendments have not yet been finalized. As such, the IPSASB would wait until after the IASB's project is finished before it would begin a similar project. Additionally, the IPSASB would need to determine whether/how the illustrative examples would need to be modified to be relevant for the public sector.

Post Implementation Reviews

Assessment of whether the IPSAS Standard is operating as intended

A Post Implementation Review (PIR) is intended to assess whether the effects of applying the core text and application guidance of an existing IPSAS Standard on primary users of the financial statements, preparers, auditors and regulators are as originally intended by the IPSASB when the Standard was developed.

The IPSASB's Strategic Objective for its 2024-2028 Strategy and Work Program established a PIR framework the IPSASB has begun to apply in 2025. Work has begun on the IPSASB's first PIR, IPSAS 20, *Related Party Disclosures*. Additional PIRs included in the tables below have been identified by stakeholders for the IPSASB's consideration.

IPSAS 18, ***Segment Reporting***	
This project would propose to update IPSAS 18, *Segment Reporting*, to align with IFRS 8 Operating Segments, where appropriate for the public sector, to reduce unnecessary differences with IFRS. IPSAS 18 is currently based on a superseded IFRS Accounting Standard (IAS 14 Segment Reporting). At this time, it appears the IASB plans to consult on operating segments in IFRS 8 in its upcoming Fourth Agenda Consultation, which may result in additional changes to IFRS 8 if a project in this area was undertaken by the IASB in the future. This project could also explore the opportunity for enhanced alignment with Classification of Functions of Government (COFOG) categories.	
Prioritization Criteria	**Analysis**
Prevalence	**Medium** – The majority of public sector entities have segments and opportunities for enhanced alignment with COFOG categories may be useful for certain levels of government.
Consequences	**Medium** – Public sector entities are able to provide information for accountability and decision making currently; however, the changes may allow public sector entities the ability to communicate more useful information to financial statement users.
Urgency	**Low** – Not considered an emerging issue in the public sector as public sector entities already have guidance to follow in the form of IPSAS 18 and are reporting segment information in their financial statements.
Feasibility	**High** – The IPSASB can draw from IFRS 8 to make similar amendments to IPSAS Standards as applicable. At this time, it appears the IASB plans to consult on operating segments in IFRS 8 in its upcoming Fourth Agenda Consultation. As such, the IPSASB would wait to see the results of the IASB's consultation and whether an IASB project results from it before making a decision on whether to begin a project on IPSAS 18.

Post Implementation Reviews

Assessment of whether the IPSAS Standard is operating as intended

IPSAS 35, *Consolidated Financial Statements*	
This project would evaluate the operation of IPSAS 35, *Consolidated Financial Statements,* in practice. Specifically, this project would consider the application of control,, i.e., exposure to, or has rights to, variable benefits from involvement with other entities, and the ability to affect the nature or amount of those benefits, when consolidating entities in the public sector and what additional guidance can be provide to clarify its application.	
Prioritization Criteria	**Analysis**
Prevalence	**Medium** – The majority of public sector entities are part of a consolidated group.
Consequences	**Medium** – Enhancing guidance as it relates to the application of control when determining when to consolidate entities would facilitate application of the guidance and create more consistency in practice.
Urgency	**Low** – Not considered an emerging issue in the public sector as existing consolidation guidance in IPSAS 35 can be applied.
Feasibility	**Low** – Some jurisdictions have noted applying control in determining whether or not to consolidate in the public sector is not an appropriate factor to consider. It may be challenging to develop another consolidation principle, and one supported by broadly by stakeholders internationally.

Sustainability and Other Reporting Projects

General Sustainability-related Disclosures	
IFRS S1, *General Requirements for Disclosure of Sustainability-related Financial Information*, provides guidance on disclosing information about an entity's sustainability-related risks and opportunities. However, IFRS S1 was not developed to reflect the public sector context. This project would leverage IFRS S1 to develop principles for public sector entities to disclose sustainability-related information. In the absence of specific standards, a general sustainability-related disclosures standard could serve as an overarching framework to address emerging information needs across specific sustainability-related topics. This project could also entail an approach that would consider how guidance in existing non-authoritative Recommended Practice Guideline (RPG) 1, *Reporting on the Long-term Sustainability of an Entity's Finances*, and RPG 3, *Reporting Service Performance Information*, could fit into the authoritative guidance developed for the general sustainability-related disclosures standard.	
Criteria	**Analysis**
Prevalence	**High** – Sustainability is fundamental to all aspects of the public sector's activities due to its broader societal role and responsibilities. Sustainability-related risks and opportunities are therefore pervasive across the entire public sector's activities, ranging from service delivery to policy design and implementation, and encompass social, economic and environmental issues.
Consequences	**High** – Comprehensive guidance on sustainability-related disclosures would help public sector entities provide adequate information on social, economic, and environmental sustainability for accountability and decision-making. Sustainability-related risks need to be adequately disclosed and integrated into general purpose financial reports to inform primary users on the critical role of the public sector across all areas of sustainability.
Urgency	**High** – While sustainability is often associated with environmental sustainability, it is essential to recognize that all three pillars of sustainability—social, economic, and environmental sustainability, are interdependent and critical to the long-term stability of public sector operations and public sector value creation. In the absence of specific standards, a general sustainability-related disclosures standard could provide early help in addressing the needs relating to other specific sustainability-related topics.
Feasibility	**High** – Drawing on the IPSASB's experience with building on IFRS S2 to develop the IPSASB SRS ED 1, and based on responses from the Consultation Paper, the IPSASB decided that IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) could be leveraged in developing a public sector specific general sustainability-related disclosures standard. While IFRS S1 is not tailored to the public sector and does not address the unique policy and regulatory role of the public sector, the existing guidance provides a foundation that can be adapted for public sector context. Given the core function of the public sector and its broader role and responsibilities relating to society, the economy and environment, developing a general sustainability-related disclosures standard for the public sector requires careful consideration in terms of its breadth and scope in respect of such complex topics, alongside considerations on the potential connection of the project with other existing sets of guidance, including the RPG 1 and RPG 3. Note that if this project was expanded to consider incorporating guidance from RPG 1 and RPG 3, that public sector specific guidance could be leveraged in the development of the general sustainability-related disclosures standard. This potential project would require the IPSASB to carefully consider its remit in the context of the broader reporting landscape. Decisions would then be required on the extent of sustainability-related information that should be included within GPFRs such that they enhance, complement and supplement the GPFSs.

Sustainability and Other Reporting Projects

Developing Authoritative Guidance based on RPG 1, *Reporting on the Long-term Sustainability of an Entity's Finances*	
The following outlines what a stand-alone sustainability reporting project based on RPG 1 could entail.[5] RPG 1 provides a framework for the reporting and disclosure of information related to the long-term fiscal sustainability of an entity's finances. RPG 1 is currently non-authoritative guidance located in the IPSAS Handbook. This project would develop authoritative guidance as part of IPSASB SRS Standards for reporting on long-term fiscal sustainability based on RPG 1, encouraging adoption and implementation, enhancing the usefulness of reported information for accountability and decision-making.	
Criteria	**Analysis**
Prevalence	**High** – Long-term fiscal sustainability is a fundamental aspect of public financial management and is applicable to all public sector entities. As governments around the world experience heightened financial strain, exacerbated by the escalating costs of climate-related impacts and other global challenges, there are increasing demands for public sector entities to provide disclosures on their capacity to meet financial commitments and deliver services over the long-term.
Consequences	**Medium** – RPG 1 represents good practice for public sector entities. In order to meet the reporting objectives of accountability and decision making, an entity should provide primary users with information on future inflows and outflows that supplements information on the entity's financial position in the financial statements. However, without an authoritative requirement, many entities lack the urgency necessary for effective reporting, resulting in limited adoption and implementation of the guidance. Authoritative guidance is key to address this gap by steering public sector entities towards consistent and comparable reporting, through providing useful information on long-term fiscal sustainability for accountability and decision-making.
Urgency	**Medium** – Reporting on long-term fiscal sustainability is becoming increasingly important given escalating global challenges, which will require significant resources and funding. Authoritative guidance on long-term fiscal sustainability would provide greater transparency on a public sector entity's ability to meet its service delivery and financial commitments both now and in the future. These disclosures would also help increase market confidence and enable the public sector to maintain its access to a critical financing stream through capital markets.
Feasibility	**High** – RPG 1 serves as a robust foundation for this potential project. The approval of the IPSASB Conceptual Framework since the original development of the RPG provides a framework to follow in development of standards for reporting in general purpose financial reports (GPFRs) that can be followed to guide and underpin the development of the RPG Guidelines into authoritative standards. Further, the international landscape on reporting long-term fiscal sustainability has evolved significantly since the publication of RPG 1, with jurisdictions developing or enhancing their own approach to reporting on long-term fiscal sustainability.

[5] Note, if the IPSASB undertook a "General Sustainability-related Disclosures" project which incorporated the guidance in existing RPG 1, then the stand alone RPG 1 project described here could be superseded by that broader project.

Sustainability and Other Reporting Projects

Developing Authoritative Guidance based on RPG 3, *Reporting Service Performance Information*	
The following outlines what a stand-alone sustainability reporting project based on RPG 3 could entail.[6] RPG 3 introduces a principles-based approach for reporting service performance information that focuses on meeting the information needs of primary users. RPG 3 is currently non-authoritative guidance located in the IPSAS Handbook. This project would develop authoritative guidance as part of IPSASB SRS Standards for reporting on service performance based on RPG 3, encouraging adoption and implementation, and enhancing the usefulness of reported information for accountability and decision-making.	
Criteria	**Analysis**
Prevalence	**High** – Service delivery is a core function of all public sector entities and is relevant to all levels of government. As public sector entities face growing demands to measure and report on the effectiveness and efficiency of a service, consistent and comparable performance indicators have become crucial in meeting these expectations. Further, service performance reporting is becoming increasingly important for securing public sector financing. Reporting on the effectiveness and efficiency of services will enable public sector entities to maintain access to capital markets and ensure continued funding for essential services and programs.
Consequences	**Medium** – RPG 3 represents good practice for public sector entities and is intended to support the primary users of the GPFRs as they hold the entity accountable for its service provision and use of resources, enabling primary users to make informed decisions. However, without an authoritative requirement, many entities lack the urgency necessary for effective reporting, resulting in limited adoption and implementation of RPG 3. Authoritative guidance is key to address this gap by steering public sector entities towards consistent and comparable reporting, through providing useful information on service performance for accountability and decision-making.
Urgency	**Medium** – Service performance reporting is becoming increasingly important as public sector entities face increasing pressure to efficiently manage resources, given competing priorities and resource limitations. With fiscal constraints and escalating global challenges, the public sector must clearly demonstrate the nature and extent to which it is using resources, providing services, and achieving its service performance objectives. Failure to do so might undermine public trust and hinder the public sector's ability to maintain its access to a critical financing stream through capital markets.
Feasibility	**High** – RPG 3 serves as a robust foundation for this potential project. The approval of the IPSASB Conceptual Framework since the development of the RPGs provides a framework to follow in development of standards for reporting in GPFRs that can be followed to guide and underpin the development of the RPG Guidelines into authoritative standards. Further, significant international progress has been made since the publication of RPG 3. In some jurisdictions, reporting on an entity's service performance has moved beyond early, premature stages, some of which drew from the RPG 3. For instance, New Zealand's publication of PBE FRS 48, *Service Performance Reporting*, in 2017, drew on the principles outlined in RPG 3, demonstrating the feasibility of an authoritative standard on the area.

[6] Note, if the IPSASB undertook a "General Sustainability-related Disclosures" project which incorporated the guidance in existing RPG 3, then the stand alone RPG 3 project described here could be superseded by that broader project.

Sustainability and Other Reporting Projects

Nature-related Disclosures	
In 2024, the International Sustainability Standards Board (ISSB) launched a research project on Biodiversity, Ecosystems and Ecosystem Services (BEES) to explore sustainability-related risks and opportunities associated with nature. This project joins a growing landscape of nature-related frameworks and standards, including the Taskforce on Nature-related Financial Disclosures (TNFD) Recommendations and the Global Reporting Initiative (GRI) Topic Standard for Biodiversity. This project would address the increasing demand for public sector entities to disclose information on their critical role in addressing nature-related issues.	
Criteria	**Analysis**
Prevalence	**Medium** – There is an increasing demand that public sector entities disclose information about their interactions with nature, with many governments making public commitments to address environmental challenges. The public sector is a key success factor in nature-related issues, such as in addressing biodiversity loss. Unlike the private sector, the public sector serves as a key data provider for nature-related indicators.
Consequences	**Medium** – The public sector is increasingly held accountable for managing nature-related risks and opportunities, given its role as a steward of nature. Nature-related disclosures would enhance transparency through an increased availability of nature-related information, enabling primary users to make informed decisions on nature-related topics.
Urgency	**Medium** – The Kunming-Montreal Global Biodiversity Framework has set ambitious targets for 2030, with the timeline rapidly approaching. Nature is a key resource for public sector entities, and standard setters play a critical role in enabling progress towards these international goals. Failing to address nature-related disclosures at this point in time could result in missed opportunities to align with global sustainability efforts and expose public sector entities to increased risks that threaten long-term fiscal sustainability due to nature-related degradation. However, despite this growing recognition, there is yet to be an international nature-related disclosures standard that addresses the public sector context.
Feasibility	**Low** – Although significant research has already been undertaken by organizations such as the International Union for Conservation of Nature (IUCN), World Wildlife Fund, and The Nature Conservancy, the development of relevant private sector guidance is relatively recent (i.e. the TNFD framework and GRI standard were just published in 2023 and 2024, respectively) and is still evolving (i.e. the ISSB research project on Biodiversity, Ecosystems and Ecosystem Services (BEES)), indicating that the landscape and requirements for private sector nature-related disclosures have further to develop. Further, the scope of nature is broad and technically complex, with various interconnected strands across nature, society and the economy. The IPSASB would have to consider an appropriate scope of a nature-related disclosures standard that would address public sector primary users' information needs, alongside interoperability with other guidance, including the United Nations System of Environmental Economic Accounting (UN SEEA) and other statistical reporting in undertaking such a project. As such, the IPSASB may wait until after the ISSB's project is further along/finished before it would begin a similar project so as to leverage the work performed by the ISSB and to minimize differences between the private and public sector where there is no public sector reason for a departure and to increase interoperability with other guidance.

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Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Memorandum

To:	NZASB Members
Meeting date:	12 February 2026
Subject:	**Feedback on consultations – Revenue and Transfer Expenses**
Date:	30 January 2026
Prepared by:	Carly Berry and Leana van Heerden
Through:	Gali Slyuzberg and Michelle Lombaard

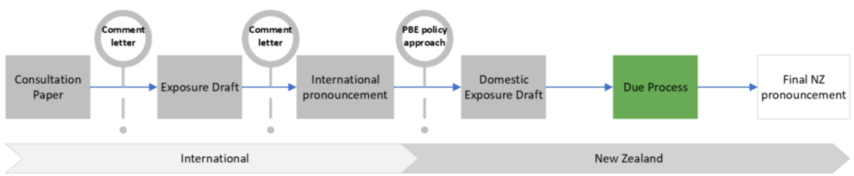
☒ **Action Required** ☐ **For Information Purposes Only**

COVER SHEET

Project priority and complexity

Domestic project purpose	Develop new PBE Standards for revenue and transfer expenses using IPSAS 47 *Revenue* and IPSAS 48 *Transfer Expenses* as respective starting points, while also ensuring that the standards are fit-for-purpose in New Zealand.
Cost / benefit considerations	The Board discussed these considerations at the June 2023 and December 2024 meetings, and the consultation documents included specific questions on this matter. Feedback received from respondents will assist the Board in determining whether the proposals should proceed to final PBE Standards.
Project priority	**High** The proposed new PBE Standards address the accounting for revenue and transfer expense transactions, which are prevalent and significant across both the not-for-profit (NFP) and public sectors.

Overview of agenda item

Project status	
Board action required	**Medium complexity** • **CONSIDER and PROVIDE FEEDBACK** on the content of the draft *What We Heard* document; and • **NOTE** the timeline of next steps in the projects.

Purpose and introduction

1. The Revenue and Transfer Expenses projects were added to the work plan in June 2023, when the Board agreed to develop new PBE Standards for revenue and transfer expenses, using IPSAS 47 and IPSAS 48 as respective starting points. In June 2025 we published ED PBE IPSAS 47 *Revenue* and ED PBE IPSAS 48 *Transfer Expenses* (the EDs) for public consultation over a six-month period, closing on 1 December 2025.

2. This agenda item provides the Board with a summary of the outreach activities performed during the consultation period as well as the feedback received from respondents to the EDs (which is set out in the draft *What We Heard* document at agenda item 9.1b). We are continuing our analysis of this feedback for the purposes of developing recommended actions to respond to it. We will bring these recommended actions to the Board at future meetings, in accordance with the timeline set out in paragraph 14 of this memo.

Recommendations

3. We recommend that the Board:

    (a) **CONSIDER** and **PROVIDE FEEDBACK** on the content of the draft *What We Heard* document (agenda item 9.1b); and

    (b) **NOTE** the timeline of next steps in the projects.

Structure of this agenda item

4. This memo includes following sections:

    (a) Summary of outreach activities

    (b) Feedback received from stakeholders

    (c) Project timeline and future planned actions

    (d) Appendix 1: Educational material developed to support the EDs

5. The following agenda items accompany this memo:

    (a) Agenda item 9.1b: draft *What We Heard* document

    (b) Agenda items 9.1c-j: Submissions received on the EDs

    (c) Agenda item 9.1k: Detailed compilation of stakeholder feedback (Board-only)

Summary of outreach activities

6. Before undertaking outreach, we developed a suite of educational materials to support stakeholders in understanding the EDs. This included fact sheets and a series of webcasts covering key aspects of the proposals. These resources are listed in Appendix 1, which also sets out the number of views each resource received during the consultation period.

7. We then followed a comprehensive outreach and engagement plan to obtain feedback from stakeholders. Our outreach activities are summarised in Table 1 below. Through these activities, we reached over 300 stakeholders across the PBE sectors.

Table 1: Summary of outreach activities

Blue = Activities to raise awareness of consultation	Green = Activities to receive feedback on consultation

<table>
<tr><th>Jun</th><th>Jul</th><th>Aug</th><th>Sep</th><th>Oct</th><th>Nov</th></tr>
<tr><td colspan="6">Links to consultation and event webpages in Accounting Alerts</td></tr>
<tr><td>Need to Know webinar for PS entities
66 attendees</td><td>Need to Know webinar for NFP entities
117 attendees</td><td colspan="3">Links to consultation and event webpages in XRB Update newsletters</td><td>Meetings with:
• An employee at a district council
• Preparers from a Tier 2 NFP entity
• Preparers from a Tier 1 NFP entity
• The Office of the Auditor-General NZ (OAG)
4 people/organisations</td></tr>
<tr><td rowspan="6"></td><td rowspan="6"></td><td rowspan="6"></td><td>**17 targeted emails** sent to Tier 2 NFP entities requesting meetings on the proposals</td><td>Treasury FDP lunchtime webinar
77 attendees</td><td>PBE Working Group meeting
10 attendees</td></tr>
<tr><td>TRG meeting
8 attendees</td><td>**5 targeted emails** sent to Māori organisations requesting meetings on the proposals</td><td>Virtual roundtable for PS entities
9 attendees</td></tr>
<tr><td rowspan="4"></td><td>Meeting with an academic</td><td>Virtual drop-in sessions (2 for PS entities, 2 for NFP entities)
10 attendees in total</td></tr>
<tr><td>Promotion of the consultation:
• in the Charities Services newsletter
• in the CAANZ fortnightly technical e-newsletter
• at the CAANZ PS SIG Committee meeting</td><td rowspan="3"></td></tr>
<tr><td>In person roundtable for PS entities
4 attendees</td></tr>
<tr><td>Virtual roundtable for NFP entities
7 attendees</td></tr>
</table>

Total event attendees/people reached: Over 300 (including PBEs across PS and NFP sectors)

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EXTERNAL REPORTING BOARD

Feedback received from stakeholders

8. Feedback from stakeholders was primarily received via:

   (a) participants at outreach activities; and

   (b) written submissions – copies are attached as agenda items 9.1c – j.

Ref #	Submitter
1	Greater Wellington Regional Council
2	Treasury New Zealand
3	CAANZ
4	Inland Revenue
5	Deloitte
6	Platform Trust
7	Auckland Council
8	OAG

We have also published these submissions on our website in accordance with our due process.

9. Table 2 sets out the high-level feedback received from stakeholders across the categories of the binding arrangement principle, revenue and transfer expenses. While we note the mixed views from respondents in most areas, this is not unexpected due to the complexity of the proposals and the wealth of responses received.

Table 2: High-level feedback received from stakeholders

Binding arrangement principle	• There is general support for the principle from a conceptual point of view, but respondents expressed mixed views about its practical application, particularly given the significant judgements involved. • Concerns were raised about the costs and resourcing implications of implementation, given the need for finance to collaborate with operations, legal and other teams in the assessment and creation of binding arrangements. Respondents also requested more NZ-specific examples • There are potential difficulties in assessing the enforceability of some contracts and other arrangements, particularly where the level of judgement required may lead to differing views between preparers and auditors.
Revenue	• Feedback on the benefits versus costs was generally positive, with respondents welcoming the move from the 'exchange and non-exchange' model to the binding arrangement approach. Respondents also supported the closer alignment with NZ IFRS 15. • While the new models are expected to improve consistency, comparability, and transparency in revenue recognition, respondents

	expressed mixed views, particularly in light of the increased complexity that may need to be navigated and the new areas of professional judgement that would be required. • Implementation will require significant time, education and system change, with further challenges likely to emerge as the new requirements are put into practice. Respondents suggested additional guidance for specific scenarios and NZ-focused examples.
Transfer expenses	• There is general support for the principles underpinning the two accounting models – with some clarifications and further guidance to be considered. Ultimately, there were mixed views on whether the benefits of the proposals, in their current form, exceed the associated costs. • Concerns were raised around NFP capability, especially for Tier 2 entities (with similar capability challenges noted for revenue). • Implementation will require significant time and education, as well as potential system changes. Respondents suggested additional guidance for specific scenarios and NZ-focused examples, as well as implementation support.

10. We plan to publish a more detailed summary of the feedback received on the EDs in a What We Heard document (see agenda item 9.1b). This public document will also include the key messages set out in Table 2.

Update on the invitation for field testing of the proposed standards

11. As agreed at the November 2024 NZASB meeting, we invited preparers to participate in field testing the proposed standards. Field testing would have involved participants applying the proposals to their revenue and transfer expense transactions in a simulated or parallel manner, separate from their actual financial reporting.

12. Feedback indicated that some respondents considered such testing to be beneficial in helping to identify potential implementation challenges, provide practical insights, and assess the associated costs and benefits. However, no stakeholders expressed an interest in participating in field testing.

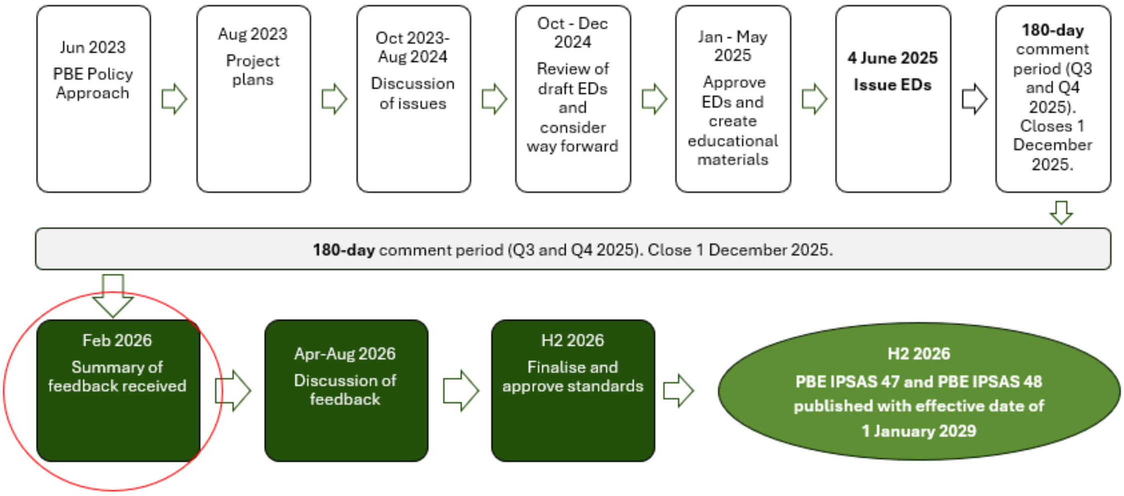
13. Accordingly, we are unable to perform field testing. Instead, staff will closely monitor international adoption of the Standards to identify and respond to any issues that emerge. We will also ensure that sufficient implementation support and guidance are provided throughout the adoption and implementation period.

Question for the Board:

Q1. Does the Board have any **FEEDBACK** on the content of the draft What We Heard document?

Project timeline and future planned actions

14. The following illustration outlines the previous phases as well as the planned next steps for these projects. This timeline is intended to provide the Board with clear visibility of key milestones and the sequencing of work as we move from consultation to finalisation.



15. A detailed timeline of topics to be addressed at the upcoming NZASB meetings will be discussed at the April 2026 meeting.

Appendix 1: Educational material developed to support the EDs

Table 3 sets out the educational material we developed to help stakeholders understand the proposals, as well as the number of views achieved during the consultation period.

Table 3

Item	Number of views
Fact sheets	
Revenue	**879**
Transfer expenses	**649**
Webcasts	
Ian Carruthers (IPSASB Chair) webcast	**674 across all webcasts**
Overview of the binding arrangement principle	
Overview of ED PBE IPSAS 47 *Revenue*	
Overview of ED PBE IPSAS 48 *Transfer Expenses*	
Appropriations under ED PBE IPSAS 47 and ED PBE IPSAS 48	
Five step revenue recognition model	

In addition to the educational material, we also achieved the following views on the EDs and consultation documents themselves:

- **Revenue:** ED (623 views) and consultation document (605 views)
- **Transfer expenses:** ED (553 views) and consultation document (408 views)

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Exposure Drafts PBE IPSAS 47 *Revenue* and PBE IPSAS 48 *Transfer Expenses*

Tier 1 and Tier 2 public benefit entities

[Draft] What we heard – [February 2026]

Proposed new revenue and transfer expense accounting requirements

In June 2025 we issued exposure drafts (EDs) for two new Public Benefit Entity (PBE) Standards – PBE IPSAS 47 *Revenue* and PBE IPSAS 48 *Transfer Expenses*. These proposed standards aim to provide clearer guidance for revenue and transfer expense accounting for Tier 1 and Tier 2 public sector and not-for-profit (NFP) entities. The EDs propose a mandatory date of 1 January 2029 for both proposed standards.

We developed the EDs using IPSAS 47 *Revenue* and IPSAS 48 *Transfer Expenses* (issued by the International Public Sector Accounting Standards Board) as a starting point, with modifications made to ensure the proposed standards are fit for purpose in the New Zealand context.

The consultations for these EDs closed on 1 December 2025.

ED PBE IPSAS 47 *Revenue*

ED PBE IPSAS 47 *Revenue* proposes to supersede three existing PBE Standards – PBE IPSAS 9 *Revenue from Exchange Transactions*, PBE IPSAS 11 *Construction Contracts*, and PBE IPSAS 23 *Revenue from Non-Exchange Transactions* – with a single source for revenue accounting requirements. ED PBE IPSAS 47 aims to enhance consistency and transparency in revenue recognition and to ensure the principles remain fit for purpose as revenue arrangements continue to evolve. The proposals also align with the for-profit standard NZ IFRS 15 *Revenue from Contracts with Customers*, thereby supporting reporting consistency for mixed groups and ensuring PBEs can apply internationally up-to-date guidance.

Under the proposals, the distinction between exchange and non-exchange transactions is removed. Instead, ED PBE IPSAS 47 proposes two revenue models – one for transactions *with* binding arrangements and another for transactions *without* binding arrangements. The concepts of binding arrangement and enforceability are central to both the revenue and transfer expense proposals and apply consistently across both types of transaction, providing a more robust and principles-based approach to determining when revenue and transfer expenses should be recognised.

ED PBE IPSAS 48 *Transfer Expenses*

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. Currently, there is no PBE Standard that addresses these transactions. ED PBE IPSAS 48 *Transfer Expenses* aims to close this gap by enhancing consistency and clarity in accounting for transfer expenses. 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 (or individual), without directly receiving any good, service, or other asset in return.

Similar to ED PBE IPSAS 47, ED PBE IPSAS 48 introduces two accounting models – one for transactions *with* binding arrangements and another for those *without* binding arrangements. This ED also proposes new guidance in PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets* to assist central and local governments in determining whether they have a legal or constructive obligation at the reporting date that relates to an existing public or budget policy, election promise or statement of intent.

Stakeholder outreach performed

During the consultation period, we carried out a comprehensive outreach programme to engage with a wide range of stakeholders. Outreach activities included webinars, roundtables (both virtual and in-person), virtual drop-in sessions, targeted emails, and direct meetings. Through these channels, we engaged with **over 300 stakeholders** (consisting of PBEs, professional bodies, auditors, and sector representatives). In addition to feedback gathered from outreach activities, the XRB also received eight written submissions (available on our website here).

Educational material provided

Due to the complexity of the proposed standards, we published educational material in the form of one-page factsheets – covering revenue and transfer expenses – and short webcasts explaining the binding arrangement principle, the revenue proposals, the transfer expense proposals, appropriations under the EDs and the five step revenue recognition model, to help stakeholders understand the proposals. We received positive feedback on this educational material, with stakeholders indicating that it greatly assisted their understanding of the proposals.

High-level summary of the feedback received

Feedback from stakeholders (i.e. respondents) is summarised below, at a high-level, across the categories of binding arrangements, revenue and transfer expenses. While we note the mixed views from respondents in most areas, this is not unexpected due to the complexity of the proposals and the wealth of responses received.

We thank everyone who took the time to attend our outreach events and/or provide a written submission to our consultation paper.

Binding arrangement principle

1. There is general support for the principle from a conceptual point of view, but respondents expressed mixed views about its practical application, particularly given the significant judgements involved.
2. Concerns were raised about the costs and resourcing implications of implementation, given the need for finance to collaborate with operations, legal and other teams in the assessment and creation of binding arrangements. Respondents also requested more NZ-specific examples.
3. There are potential difficulties in assessing the enforceability of some contracts and other arrangements, particularly where the level of judgement required may lead to differing views between preparers and auditors.

Revenue

1. Feedback on the benefits versus costs was generally positive, with respondents welcoming the move from the 'exchange and non-exchange' model to the binding arrangement approach. Respondents also supported the closer alignment with NZ IFRS 15.
2. While the new models are expected to improve consistency, comparability, and transparency in revenue recognition, respondents expressed mixed views, particularly in light of the increased complexity that may need to be navigated and the new areas of professional judgement that would be required.
3. Implementation will require significant time, education and system change, with further challenges likely to emerge as the new requirements are put into practice. Respondents suggested additional guidance for specific scenarios and NZ-focused examples.

Transfer expenses

1. There is general support for the principles underpinning the two accounting models – with some clarifications and further guidance to be considered. Ultimately, there were mixed views on whether the benefits of the proposals, in their current form, exceed the associated costs.
2. Concerns were raised around NFP capability, especially for Tier 2 entities (with similar capability challenges noted for revenue).
3. Implementation will require significant time and education, as well as potential system changes. Respondents suggested additional guidance for specific scenarios and NZ-focused examples, as well as implementation support.

Summary of feedback by consultation question

We posed a series of targeted questions to stakeholders to gather specific feedback on the proposed standards. This section provides a summary of what we heard, organised around each consultation question.

Please note that this summary is not intended to capture all the feedback that we received. We are still in the process of analysing all comments received from stakeholders to determine the next steps in these projects. We will discuss our analysis with the New Zealand Accounting Standards Board (NZASB) over the coming months.

Consultation question	Feedback
Revenue	
1. Benefit vs cost consideration	Building on the high-level feedback included above, respondents viewed the binding arrangement framework as more intuitive—particularly in providing a clearer basis for deferring revenue—and the closer alignment with NZ IFRS 15 was welcomed for improving coherence and comparability across sectors and enabling workforce mobility. Respondents raised concerns about the significant cost and effort transitioning to this new model will likely require. Reviewing existing arrangements, determining enforceability (which is key to determining whether a binding arrangement exists), and documenting compliance obligations for revenue with binding arrangements (which becomes the unit of account and affects the timing of revenue recognition) were identified as the most resource-intensive elements, with Tier 2 PBEs, especially not-for-profit (NFP) entities, expecting greater challenges due to less developed systems and reliance on manual processes. Despite these pressures, many respondents expressed support for the proposed new revenue model, recognising the long-term benefits.
2. Clarity of the key principles (binding arrangements, enforceability and compliance obligations)	Although we heard mixed views, there is broad support for binding arrangements as the key principle in revenue accounting. Many respondents highlighted that determining enforceability – particularly for oral or implied arrangements and outcome-based funding – requires careful judgement which may be challenging to apply in practice. Respondents asked for a definition of “enforceable obligation” and clearer guidance on: 1. what constitutes “enforceable rights and obligations” and “equivalent means” (in the requirement that that in order to be binding, an arrangement must be enforceable by legal or equivalent means); 2. what type of consequences for not satisfying obligations indicate enforceability, including how non-completion is defined; 3. assessing enforceability when legislation imposes obligations without explicit timeframes; and 4. whether reporting requirements alone create enforceability. Compliance obligations are seen as conceptually sound but judgement-heavy, and many stakeholders – especially in the NFP sectors – lack experience with similar models. One respondent noted that, although transaction mirroring is not required by the standards, potential asymmetry in both parties’ accounting may cause challenges in intragroup situations when preparing consolidated financial statements. There is strong support for more New Zealand-specific examples demonstrating how these principles apply to common scenarios in the public and NFP sectors.
3. Transactions without binding arrangements	Respondents appreciate that the model allows revenue recognition when (or as) obligations that meet the definition of a liability are satisfied, even in the absence of a binding arrangement, which can better reflect service delivery patterns. We heard requests for: 1. more New Zealand-specific examples for revenue transactions without binding arrangements; and 2. clarification of the distinction between “obligations” vs “enforceable obligations” (noting that for revenue without binding arrangements, the requirement to defer revenue refers to satisfying an ‘obligation’, whereas the requirement to recognise revenue immediately refers to having no ‘enforceable obligation’). A few respondents note that grants with expectations that are likely to be fulfilled, but without enforceable obligations, can still create volatility if revenue is recognised immediately.

Consultation question	Feedback
4. Transactions with binding arrangements	There is strong conceptual agreement with using a five-step, NZ IFRS 15 aligned approach for binding arrangements. Respondents, however, expect significant judgement and complexity in identifying compliance obligations (particularly if implicit), allocating consideration, and applying the model to multiyear, multiparty, and outcome-based funding arrangements, particularly when these change over time. We also heard a need for clearer guidance on how unspent funds should be accounted for when return obligations are not explicit or are not called upon.
5. Implementation challenges and support or guidance required	A range of practical implementation challenges were identified, particularly the volume and diversity of arrangements requiring review and the difficulty of assessing enforceability where rights and obligations are implicit, verbal or informally documented. Respondents also highlighted technical areas requiring clarification, including the treatment of non-cash consideration, with one respondent suggesting the use of "current value" rather than "fair value", and a request for more consistent terminology when describing transaction consideration. Many respondents requested enhanced guidance on complex areas such as tax revenue measurement, the interaction with other PBE Standards, the treatment of non-cash consideration, and the accounting for licences, levies, appropriation-related revenue, regulatory fees and rate-regulated activities. These areas often involve unique statutory or operational features, which may result in inconsistent application. Some respondents encouraged incorporating relevant Basis for Conclusions material from IPSAS 47 to enhance clarity, and suggested including a definition of "transfer liability'' to complement the "transfer asset'' notion in PBE IPSAS 48. We heard requests for New Zealand-specific illustrative examples, decision trees and flowcharts to support enforceability assessments, compliance obligation identification and the timing of revenue recognition. In addition, respondents emphasised the need for reliable systems and processes to identify and track compliance obligations and revenue recognition over time, supported by close coordination across finance, legal, operational teams and auditors for entities of all sizes. For many PBEs with limited automation, particularly those in Tier 2, this is expected to involve manual tracking. There was strong endorsement for comprehensive implementation initiatives such as webinars, workshops, Q&A repositories and implementation working groups.
6. Disclosure requirements	Respondents recognise the transparency benefits of enhanced disclosures, but encouraged a focus on materiality and aggregation to manage preparer effort and avoid clutter. It was noted that for local authorities, there would be a potential divergence between revenue disclosures and statutory funding impact statements. Concerns were raised that services in-kind disclosure requirements under the proposed standard are misaligned and less onerous than the disclosure requirements for Tier 3 PBEs.
7. Reduced Disclosure Regime (RDR) concessions	Respondents welcome concessions but suggest they may need to include more concessions for optimal benefit. Respondents expressed concern that some of the required information may offer limited decision-useful value relative to the effort and cost involved in preparing it.
8. Proposed mandatory date	Most respondents are comfortable with the proposed 1 January 2029 effective date. It was noted that early planning, training and guidance will be important to make best use of the long lead time. A few respondents also requested that a prospective transition option be considered for PBE IPSAS 47.
9. Any other comments	Several respondents noted that issues not yet identified may emerge during implementation. Some respondents supported field testing, emphasising that costs and benefits may differ between public sector and NFP entities.
Transfer expenses	
1. Benefit vs cost consideration	Respondents generally supported the intention of PBE IPSAS 48 to address a current gap in accounting for transfer expenses and to provide clearer, more coherent guidance on the accounting for these types of expenses. Some respondents considered that clearer principles could improve consistency, comparability and accountability, and may help reduce ambiguity in grant reporting. Alignment with PBE IPSAS 47 was also viewed positively, with respondents noting that coherent principles across the two standards could strengthen overall financial reporting.

Consultation question	Feedback
	However, similar to revenue, respondents expressed significant concerns about the administrative burden, the level of judgement involved and potential system changes required to implement the proposals, especially for NFPs and Tier 2 entities. Several respondents noted that tracking the progress of arrangements and developing new processes may be costly and disproportionate to the value of smaller grants. Overall, views were mixed on whether the benefits of adopting the proposals, in their current form, exceed the associated costs.
2. Clarity of the key principles (binding arrangement, enforceability and transfer right)	Feedback from respondents on these principles mirrors many of the themes already covered in the Revenue Q2 analysis – please refer to the revenue table above. Specific to transfer expenses, it was noted that transfer providers may find it challenging to 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.
3. Transactions with binding arrangements model	Respondents were broadly supportive of the proposed model for transactions with binding arrangements, noting that the model is conceptually sound and broadly aligns with existing notions such as prepayments (or contract assets in the for-profit space under NZ IFRS 15). However, respondents also raised practical challenges. The main concern raised was the practical difficulty of reliably assessing recipient progress towards satisfaction of obligations. Respondents highlighted that existing grant reporting may not provide the level or frequency of information required by the standard – meaning new systems, processes and controls may be necessary. Challenges for auditors, uncertainty about distinguishing compliance obligations from administrative or reporting obligations, and concerns about the application of judgement were also emphasised. Overall, stakeholders supported the model but noted that operational and interpretation issues will need to be addressed through clear guidance.
4. Transactions without binding arrangements model (including the accounting for social benefit transactions and proposed amendments to PBE IPSAS 19	Respondents were broadly supportive of the proposed model for transactions without binding arrangements. However, respondents raised practical challenges. Determining when a constructive obligation arises – particularly for discretionary or long-standing policy commitments – was highlighted as highly judgemental. Other challenges noted include the increased need for documentation for social service and in-kind funding arrangements. Feedback on the proposed guidance in PBE IPSAS 19 was mixed. While seen as helpful, there is also the view that the guidance may not be sufficient for entities to determine whether a legal or constructive obligation exists at the reporting date, particularly if this guidance replaces the current scope exemption in PBE IPSAS 19 relating to Crown obligations. We heard requests for additional examples, particularly for statutory schemes, discretionary grants and programmes with complex or conditional entitlements, to support consistent and appropriate application. Some respondents supported including social benefit transactions within the scope of PBE IPSAS 48, noting that existing PBE IPSAS 19-based practices are unlikely to change significantly as a result of the proposals. Other respondents noted that the proposed guidance in PBE IPSAS 19 might result in earlier recognition of certain liabilities (including those relating to social benefit transactions) than is currently the case.
5. Disclosure requirements	Respondents acknowledged the intended transparency benefits of the proposed disclosures but expressed concerns about potential complexity and volume of disclosures, especially for large public-sector entities administering numerous transfer programmes. Respondents also noted that some disclosure requirements may result in overlap with information that is already publicly available through sources other than public sector entities' financial statements. Some feedback suggested additional disclosure requirements may be useful, such as disclosure of the total funds committed to transfer binding arrangements (but not yet paid). We were encouraged to consider whether the disclosure requirements capture the importance of the judgements made around enforceability of transfer arrangements.
6. RDR concessions for Tier 2 entities	Respondents generally supported the proposed RDR concessions with a couple of respondents suggesting an additional concession and removing a concession respectively.

Consultation question	Feedback
7. Implementation challenges and support or guidance required	Several respondents found parts of the Exposure Draft difficult to follow and noted that preparers and users alike may find the volume of new terminology challenging. Respondents also noted that Tier 2 NFP entities are likely to face the greatest implementation challenges, particularly in applying the binding arrangement concept and determining whether enforceable obligations exist. Respondents signalled that implementing the standard will require reviewing large volumes of arrangements, clarifying rights and obligations, updating processes, and training staff. Substantial awareness raising and education will be needed to support implementation, with respondents emphasising the need for practical implementation tools and transition support (such as checklists, decision trees and New Zealand-specific examples, as well as workshops or implementation working groups).
8. Proposed mandatory date	Most respondents are comfortable with the proposed 1 January 2029 mandatory date. It was noted that early planning, training and guidance will be important to make best use of the long lead time.
9. Any other comments	Similar to the feedback received on ED PBE IPSAS 47, some respondents supported field testing.

Field testing

Several respondents supported our suggestion to undertake field testing of the proposed standards. However, no entities volunteered to participate, and without participating entities, field testing cannot proceed. As a result, we have concluded that field testing will not be undertaken. Instead, we will closely monitor international adoption of the IPSAS 47 and IPSAS 48 to identify and respond to any issues that emerge. We will also ensure that sufficient implementation support and guidance are provided throughout the adoption and implementation period.

Next steps

Over the coming months, we will carefully consider the feedback received on ED PBE IPSAS 47 and ED PBE IPSAS 48. This analysis will inform whether any changes are required to the proposed standards before they are finalised. Our current plan is to complete this work and seek approval from the NZASB to issue the final PBE Standards towards the end of 2026, with a likely mandatory date of 1 January 2029.

From	Greater Wellington Regional Council – Financial Accounting Team
To	External Reporting Board
Subject	Feedback on PBE IPSAS 47 Revenue

Benefit vs cost consideration (Section D)

1b. What are the anticipated initial and ongoing costs your organisation may incur in adopting the proposed PBE IPSAS 47? Please provide specific examples.

The standard would require a review of all contracts to ensure compliance. This will be time consuming and costly which might not improve the benefits from a Financial Statement reader's perspective.

For example, in the local government sector there will be a lot of grant revenue and expenditure contracts that will need to be reviewed.

Key principles for revenue accounting (Section F)

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

I would be good for a definition to be included for 'enforceability,' as currently it is judgemental and may result in difference in opinion between an entity and external audit.

Disclosures and RDR concessions (Section I)

6. Do you consider the disclosure requirements in PBE IPSAS 47 to be appropriate and proportionate to the needs of users of PBE financial statements?

The disclosure requirements in PBE IPSAS 47 are significantly more detailed than current disclosure requirements. Whilst materiality can be applied to the disclosure requirements, the disclosures themselves are onerous.

PBE IPSAS 47 requires more complex disclosure due to broader transaction types and judgments around enforceability and compliance obligations. This results in increased need for narrative explanations and reconciliations to ensure transparency and comparability. Additional time and resources will be required to ensure accurate reporting and will add pressure on public benefit entities. The value add to readers of the financial statements might not necessarily justify the costs associated with implementation requirements.

The disclosure requirements will be particularly difficult for mixed groups (groups that have For-Profit and Not-For-Profit entities) due to differences in the disclosure requirements for Tier 1 PBE.

For example, if a Tier1 PBE has a Tier 2 For-Profit subsidiary, the requirements for the Tier 2 For-Profit disclosure would be onerous and costly as requirement will be similar to those of a Tier 1 For-Profit. For-Profit entities might also have commercially sensitive information that they might not want to disclose. What are the requirements in this instance?

TE TAI ŌHANGA
THE TREASURY

1 December 2025

New Zealand Accounting Standards Board
Level 6/154 Featherston St
Central Wellington
6011

Attention: accounting@xrb.govt.nz

Kia ora katou

Submission on ED PBE IPSAS 47 Revenue and ED PBE IPSAS 48 Transfer Expenses

Thank you for the opportunity to comment on these proposed standards. Treasury views them as a package, noting that one party's transfer expense is likely to be another party's revenue, the use of the same novel concepts, and the similarity of the questions (and answers) that have been asked of respondents. We have therefore provided a single response in a package covering both standards.

Our overall view on this package of standards is that the principles appear appropriate. Implementation will be challenging however, and there could be greater clarity in the standards and more relevant illustrative examples.

Treasury has very much appreciated the level of engagement and dialogue from the NZ ASB through the process of development of these complex EDs and the subsequent consultation period. We hope and trust that will continue as standard is finalised. It can be expected that as individual transactions are considered in greater depth, relatively easy additional guidance may help the implementation of the standards, and the consistency of their implementation. We look forward to continuing our engagement with you.

Yours sincerely

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Benefit vs cost considerations

1(a) What are the anticipated benefits of adopting the proposed PBE IPSAS 47/ 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 47/ 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 47/PBE IPSAS 48 to outweigh the costs for your organisation? Please explain your reasoning.

The Treasury notes that both revenue and expense recognition (particularly in the absence of contracts) have both been problematic in the past. The Treasury has had cause to write Guidance on Recognising Liabilities and Expenses | The Treasury New Zealand to improve the consistency of accounting for expenses, while debates about the recognition and measurement of taxes, levies and licences continue to be held.

The issues are not straightforward as the rights and obligations associated with public sector activity tend to crystallise over time and may be contingent on circumstances. Whereas a stable environment may suggest responsibilities and duties that can be relied on, in an uncertain environment or a crisis those same prior expectations may prove unreliable. Reporting rights and obligations and the consequent revenues and expenses can therefore be challenging.

We consider there are advantages in using IFRS 15 as a base, as PBE IPSAS 47 does, to maximise alignment with private sector reporting of revenue. The use of IPSAS 47 also provides international alignment.

The Treasury considers also that there are advantages in moving away from the judgements currently required between exchange versus non-exchange, and restrictions versus conditions that were not reflective of real-world concerns. The proposed PBE IPSAS 47/ PBE IPSAS 48 approach of requiring a judgement whether a binding arrangement exists and aligning expense and revenue recognition with either the terms of that binding arrangement, or alternatively when a right to an asset, or an obligation requiring a provision exists and should be recognised in the balance sheet, seems logical and fair. That does not mean it will be easy.

Examples of judgements that are required for revenue recognition include:

- Crown funding for appropriated costs
- Revenue from the sale of regulatory instruments (e.g. radio spectrum, mining licences, tradeable emission credits, passports)
- Revenue from levies priced on a cost-recovery basis
- Revenue from permits and licences

Examples of judgements that are required for expense recognition include:

- Pre-commitments to provide compensation
- Grantor funding for appropriated costs
- Obligations under international treaties
- Obligations under manifesto commitments

We concur also with the NZ ASB's three identified costs of implementing the standards; that time and resources will be required to be invested on adoption, judgements are necessary resulting in application costs, and there will be perceptions that the adoption effort may not be seen in actual change.

Our preliminary view is that these costs could be reduced with educational material and with more relevant illustrative examples of the items identified above to be included in the IE section of the standard.

Key principles in revenue/transfer expense accounting

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

We have provided in Appendix 1, as a preliminary example, the fact pattern and the judgements necessary in applying PBE IPSAS 47/PBE IPSAS 48 to the revenue that departments, Crown entities and Offices of Parliament receive from the Crown to fund expenses that have been appropriated by Parliament. The example provides a clear illustration of the challenges that can be anticipated in the practical application of these principles.

Treasury expects that as its preliminary conclusions reached in the appendix are debated with interested parties such as Office of the Auditor General, and entities receiving Crown funding in compensation for appropriated expenses on outputs, and are perhaps modified as a result, we will be in a better position to propose improvements so that the proposed standards provide sufficient clarity for practical application.

Currently, for example we are unsure of the benefit of having three different terms: transaction consideration, stand-alone consideration and transfer consideration, when the first two seem to mean the same thing, and the third is essentially a plural of the first two. We are however not yet in a position to make specific suggestions for change.

Another example we are still assessing is the implications of the proposed guidance to use transaction consideration for the initial recognition of tax revenue (i.e: the amount of resources to which an entity expects to be entitled per para 30) while the asset arising is "measured at the best estimate of the inflow of resources to the entity" (para 45). These can be different. We would also note the assumption in F.1 of the implementation guidance that sovereign receivables and contractual receivables are consistent in substance and risk exposure is not always valid, given the powers of the tax collecting authority to reassess the debt outstanding and add and revoke penalties.

Treasury notes that NZ ASB's projected timeline is to issue PBE IPSAS 47 and 48 in Q3 2026. We suggest an ongoing dialogue through 2026 will be necessary as we continue to develop and test our judgements using the EDs with common and or challenging transaction types.

Recognition of revenue/transfer expense transactions

3. Do you agree with the proposed approach to revenue/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 revenue/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?

We are in general agreement with the proposed approach to revenue/transfer expense recognition for transactions with binding arrangements.

We note that the accounting guidance for binding arrangements is based on, and equivalent to the accounting guidance in IFRS 15 *Revenue from Contracts with Customers*. Implicit in this approach is the existence of a contract, and the application of contract law in determining rights and obligations on which to base the accounting.

We suggest that the extension of this contract-based approach to binding arrangements may lead to challenges where there isn't an equivalent "binding agreement law" and where the assumption of willing buyer-willing seller may not be valid.

We are in general agreement that it is appropriate for the scope of ED PBE IPSAS 48 to include expenses arising from transactions relating to social welfare payments to individuals (such as unemployment and national superannuation benefits) and to the delivery of services to individuals and communities by central and local governments (such as health and education services). We also agree that these are without a binding arrangement because individuals and communities do not have an enforceable obligation to central or local governments in return for the transfer of cash, goods or services. We do not expect the accounting for social benefits to change.

We note that there was some push back against the underlying assumption for this view in the 1990s. For example, the 1997 Budget speech mooted a code of social responsibility - a form of contract between a welfare recipient and the State, whereby taxpayer support for those able to work comes with a responsibility to actively be seeking work, taxpayer support to enable children to be looked after comes with an expectation they are looked after properly and, for example, attend school and where taxpayer support is provided because it is difficult to organise finances, then budgetary advice should be sought and followed. More recently, recipients of Jobseeker Support benefits must fulfil requirements, including actively seeking work and reporting changes in circumstances.

We suggest there be some consideration therefore of the appropriate accounting when the assumption doesn't hold that central or local governments do have an enforceable obligation on individuals and communities to in return for the social benefit.

We consider the proposed guidance, added to PBE IPSAS 19, to be helpful but not sufficient to assist PBEs in determining whether they have a legal or constructive obligation at the reporting date. It is our expectation that we will need to update rather than withdraw our Guidance on Recognising Liabilities and Expenses | The Treasury New Zealand on release of hie standard

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?

   5a. What challenges do you anticipate in implementing PBE IPSAS 47, including any specific transactions or scenarios where additional clarification may be needed?

   5b. What support or guidance would be most helpful to assist with these challenges?

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

Treasury has noted ED PBE IPSAS 48 requires disclosures of the following for material transfers that are not a binding arrangement:

a) The purpose of the transfer arrangements;
b) Significant payment terms, if any; and
c) The nature of the resources that have been or will be transferred.

In the absence of a basis of conclusion from the IPSASB on the rationale for these disclosures, we must assess the requirement in terms of the disclosure objective for the entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of expenses and cash flows arising from transfer expense transactions.

For the year ended 30 June 2025 the Financial Statements of Government reported 17 such material transfers as below.

2025 Forecast at Budget 2024 $m	Budget 2025 $m		Actual 30 June 2025 $m	30 June 2024 $m
23,194	23,180	New Zealand superannuation	23,191	21,574
4,435	4,644	Jobseeker support and emergency benefit	4,641	4,062
2,661	2,669	Supported living payment	2,668	2,530
2,316	2,435	Family tax credit	2,434	2,297
2,245	2,257	Sole parent support	2,255	2,097
2,495	2,304	Accommodation assistance	2,232	2,411
1,104	1,060	KiwiSaver subsidies	1,020	1,014
1,103	1,116	International Development Cooperation	953	1,202
751	758	Hardship assistance	755	667
685	720	Paid parental leave	709	647
579	578	Student allowances	574	526
555	560	Winter energy payment	562	537
594	564	Other working for families tax credits	561	448
496	492	Disability assistance	492	464
405	402	Orphan's/unsupported child's benefit	402	384
339	348	Best start tax credit	346	336
133	190	Income related rent subsidy	192	189
626	587	Other social assistance benefits	692	552
44,716	**44,864**	**Total transfer payments and subsidies**	**44,679**	**41,937**

While it is possible to report on the purpose of these items, the payments terms, and the fact that it is cash that is being transferred, we question the benefit of these disclosures. For example, users wanting that information on New Zealand Superannuation are much more likely to access New Zealand Superannuation - Work and Income website designed to “Find out all you need to know about NZ Super”.

We do not think that the addition of four or five pages of audited disclosures that would be required improves the users understanding of the nature, amount, timing, and uncertainty. It would substantially add to the cost and clutter of the financial statements.

The Treasury recognises that it may be possible to disregard this requirement through consideration of paragraphs 45-47 of PBE IPSAS 1 but considers that is a second-best option to removing these disclosure requirements.

The Treasury has no comment on the 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 47/ 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?

The exposure drafts, as we understand them, essentially demand that the rights and obligations associated with revenue and transfers be identified, measured and used to recognise when revenue arises and when expenses are incurred. We would anticipate that under current arrangements, many of these rights and obligations are implicit rather than explicit, and it is quite possible that the provider and recipient may have different views of the rights and obligations arising.

In such cases, we anticipate therefore that successfully implementing PBE IPSAS 47/ PBE IPSAS 48 will require specification and/or clarification of the respective rights and obligations. This work is valuable and should be supported by NZ ASB as it is by the Treasury. There are however likely to be challenges from those who may regard this as an additional compliance burden, driven by technical requirements no added value to entities' activities.

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 EDs?

Treasury is comfortable with the proposed mandatory date of 1 January 2029 and has no other comments on the EDs.

Appendix 1

Application of PBE IPSAS 47 to Crown funding of entities' outputs in accordance with appropriations

Description of the Transaction / Fact Pattern

The total of Output Expense Appropriations in Budget 2026 is $48,683 million, with non-departmental appropriations comprising $42,201 million or 87%. Most public sector entities receive Crown revenue to fund output expense appropriations and so it is important that the accounting is correct and consistent.

The Guide to the Public Finance Act explains that output expense appropriations authorise expenses to be incurred by departments or other entities in supplying outputs to parties external to the entity. The expenses authorised include both direct expenses and indirect expenses allocated to those outputs.

The underlying principle was to enable a performance-based accountability framework to operate. Output expense appropriations encourage the Government and Parliament to focus on the goods and services or outputs to be delivered by an entity in respect of the appropriations – i.e. to consider performance from the citizen-as-purchaser perspective. They permit attention to be directed to the value obtained from government expenditure as much as how that expenditure was made. They also provide departments with autonomy in determining the appropriate input mix, and where necessary, to alter that input mix during the period.

The Guide to the Public Finance Act makes it clear that appropriations are "a constraining authority only – there is no obligation on the Crown to incur any expense as a result of being granted an appropriation" This position is proposed to be reinforced in the Public Finance Act itself with the current amendment Bill containing a clause for a new section 4(1A) "An appropriation, or other authority, by or under an Act does not require the Crown or an Office of Parliament to incur the expense or capital expenditure that it authorises."

The Guide to the Public Finance Act also notes that "the amount of an appropriation is not necessarily the same as the cash disbursed to a department, nor is it necessarily the same as the revenue the department may earn. For example:

- Ministers may decide not to incur expenses or capital expenditure for which appropriations exist. In such cases revenue and funding may be withheld.
- An appropriation may be for an amount which includes a non-cash expense such as depreciation or the cost of goods and services purchased by a department but not yet paid for."

Also, some appropriated expenses are not funded by Revenue Crown, but from Revenue Departments and Revenue Other. The current practice is that cash disbursed to a department, or Office of Parliament from the Crown will be made in accordance with the cash payments schedules module in CFISnet that reconcile to the respective expenditure baselines[1]. At any point in time however there can be a:

- Debtor Crown: representing the amount owing by the Crown for the services a department has provided to the Crown, that have been recognised in their Operating Statement and in appropriation funding, but where the cash hasn't been drawn down to pay for them.

- Creditor Crown: representing the amount owing by the Department to the Crown for services not provided to the Crown. This currently may occur when the department has drawn down more cash than the agreed Revenue Crown funding for the current year. A Creditor Crown balance at the end of the year reduces the cash draw down in the following year (as the cash is already in the Bank Account).

With respect to Crown entities and other entities receiving non-departmental output appropriations, the common practice is for the administering department and the recipient entity to negotiate a disbursement profile – typically via quarterly payments of the appropriated amount, although other options are available.

Section C of Cabinet Office Circular CO (18) 2 *Proposals with Financial Implications and Financial Authorities*, describes the ways in which departments have authority to use departmental and non-departmental appropriations and sets out some restrictions on that authority. The general position is that all appropriations are made to the Crown or to an Office of Parliament. Departments (through the chief executive or his or her delegate) incur expenses and capital expenditure as instruments of the Crown.

Cabinet has authorised departmental chief executives and their delegates to incur expenses or capital expenditure under appropriations on behalf of the Crown, in accordance with the terms, and subject to the restrictions set out in the circular. That authority is subject to any agreement to supply outputs or to achieve certain outcomes negotiated with the appropriation Minister or third-party client; or with another department, under which that other department may use the appropriation.

Treasury Instruction 6.6.8 sets out the policy for disbursement of cash of departments. It requires that:

> Departments, as part of their budgeting process, must estimate after each fiscal update the cash flows of authorised department's operations and any Crown activity managed by the department that Ministers have agreed will be sourced from the Crown. This figure is then used, in conjunction with the liquidity needs of the department, to estimate the total cash requirement for the year. This cash requirement is broken down into disbursements to be made at regular intervals by the Crown to ensure that all department and subsidiary Crown bank

[1] An example of such a reconciliation is shown at the end of this paper.

accounts are sufficiently funded to enable all incurred and authorised (statutory and financial) expenses and capital expenditure are settled. Cash is disbursed to departmental and Crown bank accounts in New Zealand dollars.

Departments must enter their expected cash payment schedule into the cash module in CFISnet prior to the commencement of each financial year and update it during the year as required by the Treasury after baseline update. Any subsequent changes to the cash payment schedules (i.e., a new cash payment request by the department and approved by the Vote Analyst) is required at least two full working days prior to the payment date.

Departments are required to demonstrate that cash requests do not exceed authorised (statutory and financial) departmental expenses and capital injections Departments can do this by completing the cash reconciliation within the CFISnet cash module.

Treasury checks the department is entitled to the amount of cash requested, and, if satisfied, will approve the schedule. Treasury's Debt Management Office then disburses the Departments' cash on the agreed dates.

Treasury Instructions (4.4.3) also make provision for the process for return of operating surplus. This ensures that the requirement in section 22(1) of the Public Finance Act that "Except as agreed between the Minister and the responsible Minister for a department, the department must not retain any operating surplus that results from its activities" is met.

Applying ED PBE IPSAS 47 and ED IPSAS 48

Applying ED PBE IPSAS 47 and ED IPSAS 48 to Revenue Crown require a number of judgements which this section provides an initial work through. All references are to paragraphs in the EDs.

Who is the resource provider?

Revenue requires a third party to provide resources to the reporting entity. The standard defines this party as a "resource provider" (47.2). The resource provider is a purchaser or customer when providing consideration for goods or services it receives that are an output of an entity's activities under a binding arrangement for its own consumption, but the term also includes providers who do not directly receive any goods, services, or other assets in return, or where the resources are used to provide goods and services to third-party beneficiaries (47.AG27).

It is proposed that the resource provider of Crown funding of entities' outputs in accordance with appropriations is the Crown, defined in this case as Ministers of the Crown. While department chief executives and delegated staff are instruments of the Crown they need to be excluded from the definition of resource providers as they are not external to the reporting entity, given the reporting boundary of government departments. Parliament is not the resource provider, as it is not providing resources to the entity; that is not the purpose of the appropriation system, which is to constrain the use of resources by the Crown and Offices of Parliament. The resources that are being provided to departments are sourced from the Executive Branch of the government rather than the Legislative Branch.

In terms of ED IPSAS 48 the Crown therefore is the transfer provider, i.e. an entity that provides a good, service, or other asset to another entity without directly receiving any good, service or other asset in return (48.6).

The Crown as an entity does not produce financial statements. However, Treasury Instruction 6.2.1.2 requires audited non-departmental schedules to be prepared for assets, liabilities, revenue, expenses, contingencies and commitments for non-departmental activities administered by departments. Measurement and recognition rules consistent with generally accepted accounting practice are required to be applied. Consequently, ED IPSAS 48 will need to be applied in the preparation of these non-departmental schedules for the non-departmental or Crown activity administered by departments.

Have recipients of Crown funding of their outputs in accordance with appropriations entered into a binding arrangement?

ED PBE IPSAS 47 requires that, at inception, an entity should first consider whether it has entered into a revenue or expense transaction with or without a binding arrangement (47.10). For an arrangement to be binding, it must be enforceable through legal or equivalent means (47.11, 48.10). The substance rather than the legal form of the arrangement must be considered (47.12, 48.11). The assessment of whether an arrangement is enforceable is based on an entity's ability to enforce the specified terms and conditions of the arrangement and the satisfaction of the other parties' stated obligations. A binding arrangement includes both rights and obligations that are enforceable for two or more of the parties in the arrangement. Each party's enforceable rights and obligations within the binding arrangement are interdependent and inseparable (47.13, 48.12). Binding arrangements can be evidenced in several ways. A binding arrangement can be written, oral or implied by an entity's customary practices (47.14, 48.13).

PBE IPSAS 47 requires the following criteria to be met for the binding arrangement accounting model to be applied:

a) The parties to the binding arrangement have approved the binding arrangement (in writing, orally or in accordance with other customary practices) and are committed to perform their respective obligations;
b) The entity can identify each party's rights under the binding arrangement;
c) The entity can identify the payment terms for the satisfaction of each identified compliance obligation;

d) The binding arrangement has economic substance (i.e., the risk, timing or amount of the entity's future cash flows or service potential is expected to change as a result of the binding arrangement); and

e) It is probable that the entity will collect the consideration to which it will be entitled for satisfying its compliance obligations in accordance with the terms of the binding arrangement (47.56, no equivalent in 48)

It is proposed that all of the above criteria are met, and therefore a binding arrangement is in place for entities receiving Crown funding of their outputs in accordance with appropriations.

a) The department or office of parliament has prepared cash payments schedules on CFISnet that reconcile to the respective expenditure baselines, and therefore to the approved estimates and any imprest supply authorities or other authorities. The Treasury checks that these schedules are consistent with appropriations, reflect the timing needs of the department for cash and approves them, prior to payment. The Crown and the department or office of parliament have therefore both approved the binding arrangement and are committed to perform their respective obligations. The department or office of parliament is committed to incur expenses up to an agreed limit on distinct services and Ministers are committed to reimburse them for the expenses they occur. Similar arrangements exist between the appropriation administrators of non-departmental output expenses and therefore impact on the revenue reported by the recipient entities.

b) Each party's rights under the binding arrangement can be identified:
   - The Crown's right to ensure output expenses are incurred in accordance with a distinct statutory authority (a compliance obligation on the entity)
   - The department's right to funding for expenses incurred in accordance with statutory authority (a consideration obligation on the Crown)

c) The payment terms for the satisfaction of the compliance obligation are contained in the cash payment schedule, or the agreement between the appropriation administrators of non-departmental output expenses and the recipient entities.

d) The binding arrangement has economic substance. Using the criteria in 47.AG32, the configuration (risk, timing, and amount) of the cash disbursements to departments and Crown entities differs from the configuration of the cash flows of the compliance obligation. It would not be appropriate to net the funding of the costs of departments and Crown entities with the expenses they incur.

e) It is probable that departments will collect the consideration from the Crown to which they will be entitled for satisfying compliance obligations in accordance with the scope of the output expense appropriations.

The above judgement is dependent on the view that the arrangements for funding departments and Crown entities establish a compliance obligation as defined by ED PBE IPSAS 47. The ED defines a compliance obligation as 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 (47.4).

The ED notes that identifying compliance obligations may require significant judgement. A necessary condition for the existence of a compliance obligation is that the promise must be sufficiently specific to be able to determine when that compliance obligation is satisfied. An entity considers the following factors in identifying whether a promise is sufficiently specific:

- The nature or type of the promise to use resources;
- The cost or value of the distinct goods or services from the promise to use resources;
- The quantity of the distinct goods or services from the promise to use resources; and
- The period over which the use of resources occurs (47.AG45).

It is proposed that the appropriation scope is designed to ensure that the outputs to be provided are distinct. In support of this, note the Guide to the Public Finance Act states that the scope of an output expense appropriation should have an external focus, cover goods or services that are similar in nature, not cover goods or services covered by other output expense scopes. be comprehensive, be verifiable, be controllable by the agency, and be informative. The period is also defined in the appropriation.

The ED notes that the existence of performance indicators in relation to the promises may, but does not necessarily, indicate the existence of a compliance obligation as defined in this Standard. A performance indicator is a type of performance measurement (either quantitative, qualitative or descriptive) used to evaluate the success and extent to which an entity is using resources, providing services and achieving its service performance objectives. A performance indicator is often an internally imposed measure of performance and not a compliance obligation (47.AG46). The preliminary view is that the appropriation and funding process do not create a performance obligation. The recipient entity is not promising value but rather cost compliance.

The ED notes that a resource provider in the binding arrangement would have the ability to enforce how the entity uses resources to achieve specific objectives and hold the entity accountable in complying with such terms. The compliance obligations may be imposed by requirements in binding arrangements establishing the basis of transfers, or may arise from the normal operating environment, such as the recognition of advance receipts. (47.AG 48). The appropriation reporting process, and the process for dealing with unappropriated items including the operation of the Controller Protocol, and for departments, the Public Finance Act stipulation that departments must not retain any operating surplus that results from their activities provide the ability for Ministers to enforce compliance with the scope appropriations, and therefore this requirement is met.

While the recipient entity is promising that the resources will only be used in accordance with appropriations, it may be argued that the department is not making a promise to use all the resources that are agreed to be paid in the cash payments schedule. Indeed, most frequently, entities do not make full use of the resources as they seek to ensure that total output expenses fall within the appropriation. However, the ED envisions that modifications to binding arrangements (e.g. a variation, an amendment, or a change order) may be approved by the parties to the binding arrangement in writing, by oral agreement or implied by an entity's customary practices (47.63). Many contracts have a maximum limit, rather than a specified price and his does not invalidate the contract, or the application of accounting rules for contracts.

The Treasury notes however that others may come to a different conclusion than is argued above. If the appropriations scope is wide and does not limit the mandate of the recipient entity and is judged not to be sufficiently specific to be considered a compliance obligation, then the conclusion would be that there is not a binding arrangement, and the recipient entity should recognise revenue when it obtains control of the asset. This illustrates the challenge that can be anticipated in the practical application of these principles.

What is the transaction consideration/stand-alone consideration?

The transaction consideration is the amount of resources to which an entity expects to be entitled in the binding arrangement for satisfying its compliance obligations (47.4, 47.109). The stand-alone consideration is the amount that an entity intends to compensate the transfer recipient for satisfying each of its obligations in a binding arrangement (48.6). These amounts should be the same.

An inflow of resources or a right to an inflow of resources that meets the definition of an asset shall initially be measured by the entity at its transaction consideration as at the date at which the criteria for asset recognition are satisfied. (47.30)

The implementation Guidance in PBE IPSAS 48 states that generally, an entity would want to explicitly specify in a binding arrangement the amount of resources it is willing to transfer for each transfer right (i.e., the stand-alone consideration is typically specified for each transfer right). In situations where the stand-alone consideration is not explicitly stated, the Standard requires an entity to determine the best estimate of the amounts that it intends to compensate the transfer recipient for satisfying its obligation when negotiating the binding arrangement. The most suitable method to estimate the stand-alone consideration will depend on the quality and type of information that is available to the entity. For example, the individuals negotiating a binding arrangement may have contemporaneous records detailing how they estimated the stand-alone consideration for specific transfer rights included in the binding arrangement. (48.F1)

It is proposed that for departments and offices of Parliament, the transaction consideration is the Total Revenue Crown figure per the Approved Crown Funding reconciliation in the Cash Payments Module of CFISnet. This is the best representation of the amount of resources to which an Crown expects to pay to compensate recipients for the costs they is incurring on outputs, and the amount departments and Offices of Parliament expect to receive. Note this does not include capital injections or withdrawals, GST or any planned movement in the Crown Debtor/Crown Creditor balance and therefore may be different from the cash requested and paid.

Similarly, for recipient entities of Crown revenue funding non-departmental output expenses, the transaction consideration should be the amount agreed for the operating (i.e. excluding capital) disbursement profile between the appropriation administrator and the reporting entity.

How should the transaction consideration be allocated?

The ED contains a number of paragraphs providing guidance for allocating the transaction consideration to the satisfaction of compliance obligations:

- When a binding arrangement is wholly unsatisfied (i.e. the entity hasn't started satisfying compliance arrangements and the resource provider has not paid or is not obligated to pay consideration) an entity shall not recognise any asset, liability or revenue associated with the binding arrangement, unless the binding arrangement is onerous. The recognition of assets, liabilities, and revenues commences when one party to the binding arrangement starts to satisfy its obligations under the arrangement. (47.78).
- An entity may receive or have the right to an inflow of resources arising from a revenue transaction with a binding arrangement before or after it begins satisfying its compliance obligations. An entity should recognise an inflow of resources from a revenue transaction with a binding arrangement as an asset when the definition of, and the recognition criteria for, an asset are met (47.80).
- An entity obtains control of a good or service over time and, therefore, satisfies a compliance obligation and recognises revenue over time, if one of the following criteria is met:
  a) The entity simultaneously receives and consumes the economic benefits or service potential provided by the entity's performance as the entity performs;

   b) The entity's performance creates or enhances an asset (for example, work in progress) that the entity controls as the asset is created or enhanced; or
   c) The entity has an enforceable right to consideration for performance completed to date (47.93)
- The objective when allocating the transaction consideration is for an entity to allocate the transaction consideration to each compliance obligation in the amount that depicts the amount of consideration to which the entity expects to be entitled in satisfying the compliance obligations (47.133).

It is proposed that the most appropriate approach for **departments** and offices of parliament to give effect to these requirements is for them to recognise revenue as these entities incur authorised costs to be reimbursed through the Crown Funding process. This recognises that departments and offices of parliament have rights to reimbursement of expenses that have been incurred, but do not have rights to funding before it is needed (i.e. c) above). The revenue is recognised as the department or office of parliament satisfies the compliance obligation. This approach best meets the objective as set out in paragraph 133 of ED 47.

It is proposed that the most appropriate approach for recipient entities reporting revenue from government funding of **non-departmental** output expenses to give effect to these requirements is to recognise revenue in accordance with the timings in the disbursement profile negotiated with the entity. This recognises that those recipient entities have control of the asset at the point it is disbursed. Prior to that point in time, the Minister or appropriation administrator may decide not to incur expenses or capital expenditure for which appropriations exist and may change the disbursement profile. So, until then the reporting entities do not control the asset. This approach best meets the objective as set out in paragraph 133 of ED 47.

The distinction between departments and offices of parliament on the one hand and other recipients of Crown funding, rests primarily on the different approaches to liquidity management. For departments and offices of parliament, a centralised cash management system is in place, and funding is more clearly associated with need. Other recipients of Crown funding control their own liquidity management and funding is more clearly associated with the agreed disbursement profile. The proposed approach reflects this reality,

In terms of the non-departmental schedules reporting the expense from government funding of non-departmental output expenses would mirror the revenue recognition by the recipients. That should simplify the consolidation process. The non-departmental schedules do not report the funding of departments, as these are fully departmental transactions. The elimination of Revenue Crown, and any Crown debtor or Creditor (implicitly representing a transfer obligation or transfer right) against the disbursements reported by the Debt management office in the Treasury in the consolidated financial statements of Government would continue as occurs now.

CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

Monday, 1 December 2025

Carolyn Cordery
Chair, New Zealand Accounting Standards Board
External Reporting Board
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By email: accounting@xrb.govt.nz

Dear Carolyn

Exposure Drafts ED PBE IPSAS 47 Revenue and ED PBE IPSAS 48 Transfer Expenses

Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to provide feedback to the External Reporting Board (XRB) on the above two Exposure Drafts. We make this submission on behalf of our members and in the public interest. For clarity and context, CA ANZ does not prepare financial statements in accordance with the PBE Standards – we have answered the questions based on what we have heard from members and other stakeholders who do apply the PBE Standards.

We recognise that the EDs include fundamental changes to the accounting for revenue and transfer expenses, therefore the educational materials and additional consultation timeframe are useful. However, we are concerned about what appears to be a lack of engagement with this consultation, especially from the not-for-profit (NFP) sector. This could be a symptom of the NFP sector facing funding reallocations, increased applications for funding, and pressure on income streams, as noted by the External Reporting Advisory Panel (XRAP) of which we are a member. These sentiments are echoed by our Charities and Not-For-Profit Advisory Committee. We are also on the Charities Sector Group, members of which have expressed significant consultation fatigue this year.

We are therefore of the view that, if the XRB does proceed to implement these proposed standards in New Zealand, there will need to be a significant awareness raising campaign and education programme to support that process particularly for the NFP sector.

Key points:

- We have heard concerns about the costs involved in adopting proposed PBE IPSAS 47 *Revenue* (PBE IPSAS 47) and moving to a brand-new revenue recognition model. However, on balance, we consider that the long-term benefits of a more consistent and comparable revenue recognition model make this an acceptable trade-off.
- Our stakeholders also have significant concerns relating to the cost and complexity of the proposed PBE IPSAS 48 *Transfer Expenses* (PBE IPSAS 48) and are of the view that the benefits would not outweigh the costs, particularly in the NFP sector. We urge the XRB to complete a strategic review of user needs and cost-benefit considerations for ED PBE IPSAS 48 in both the public and the NFP sector prior to any final decision regarding its adoption as we believe the cost-benefit trade-off in each sector may be different.
- We also support the XRB's planned field testing of both EDs as one way to assess the cost versus benefit impact of adopting the proposed standards. We recommend the field testing for ED PBE IPSAS 47 focuses on the cost-benefit relating to the application of the key principles (as discussed in our response to question 2 and 5a in Appendix A). For ED PBE IPSAS 48, we suggest that the cost-benefit analysis be more holistic to include an evaluation of user needs, information relevance, costs and practicality in both the public and the NFP sectors (as discussed in our response to question 1c in Appendix C).
- We also consider that implementation working groups should be established to support the implementation of PBE IPSAS 47 and PBE IPSAS 48 if the XRB chooses to adopt the standards.

Our detailed responses to the specific questions raised in the consultation documents are contained in **Appendix A** for ED PBE IPSAS 47 and **Appendix B** for ED PBE IPSAS 48. **Appendix C** provides more information about CA ANZ. Should you have any queries about the matters in this submission, or wish to discuss them in further detail, please contact Amir Ghandar, Reporting and Assurance Leader by email; amir.ghandar@charteredaccountantsanz.com.

Yours sincerely

Peter Vial FCA
New Zealand Country Head

Amir Ghandar FCA
Reporting and Assurance Leader

Appendix A

Responses to specific questions in Consultation Document – PBE IPSAS 47 Revenue

Benefit vs cost consideration (Section D)

1a. What are the anticipated benefits of adopting the proposed PBE IPSAS 47 for your organisation? Please provide specific examples.

Feedback from our stakeholders indicates that the anticipated benefits of adopting the proposed PBE IPSAS 47 include:

- *Removal of the exchange/non-exchange distinction*: The current standards require distinguishing between exchange and non-exchange transactions; a process often seen as subjective, inconsistent, and difficult to apply. This leads to diversity in practice and reduced comparability. The proposed PBE IPSAS 47 brings revenue accounting requirements into a single standard, which simplifies classification.
- *Close alignment with NZ IFRS 15 Revenue from Contracts with Customers* (NZ IFRS 15): The proposed PBE IPSAS 47 aligns closely with NZ IFRS 15, the standard on revenue recognition which applies to for-profit entities. This alignment enhances comparability across sectors, reduces consolidation adjustments for mixed groups, and supports uniform accounting policies for similar transactions, improving clarity and consistency.
- *International alignment and workforce mobility*: Harmonisation with international standards facilitates global comparability of financial statements and enables greater mobility for accounting professionals across sectors and jurisdictions.
- *Deferral of revenue*: The proposed standard allows for deferral of revenue for both transactions with and without binding arrangements. This overcomes limitations in the current standards that restrict deferrals. It also provides a more accurate reflection of revenue earned, performance and obligations over time. As a result, users of financial statements can better understand the financial implications of such arrangements.
- *Synergies*: Additional benefits may be realised through PBEs gaining a better understanding of their revenue transactions and associated arrangements, as well as improved quality, comparability and usefulness of financial information for preparers and users.

1b. What are the anticipated initial and ongoing costs your organisation may incur in adopting the proposed PBE IPSAS 47? Please provide specific examples.

Overall, our stakeholder feedback indicates that the initial and ongoing costs are expected to be significant for most PBEs. This is because the proposed PBE IPSAS 47 involves significantly different core principles to revenue recognition than the current accounting requirements. Entities will need to review all existing arrangements individually to assess whether a binding arrangement exists and, if so, what compliance obligations arise. On an ongoing basis, entities will then be required to review all new arrangements and any changes to existing arrangements to assess whether a change in accounting treatment is needed.

As PBEs upgrade grant documentation, reporting systems and software to implement these requirements, it is expected that the initial costs will be the most significant. For an implementation project of this size and nature, we would expect some ongoing costs as adjustments and updates to reporting systems may also be needed. Staff and consultants' costs will likely be higher initially as part of the transition, including training and education needs as part of implementation.

Based on the for-profit sector's experience with the implementation of NZ IFRS 15, the initial costs to implement the disclosure requirements are likely to be considerable. The ongoing costs varied depending on the nature of the entity's operations, contracts and accounting systems. The volume, diversity and complexity of revenue contracts were the main drivers of these ongoing costs. We expect that the same cost drivers will impact on the variability of PBEs' ongoing costs.

1c. Considering the benefits and costs identified above, do you expect the benefits of adopting PBE IPSAS 47 to outweigh the costs for your organisation? Please explain your reasoning.

As noted in our response to question 1(b) above, there are concerns about the costs involved in adopting PBE IPSAS 47. However, on balance, we consider that the long-term benefits of more consistent and comparable revenue recognition in the PBE sector make this an acceptable trade-off.

However, we expect that the costs and benefits for public sector and NFP entities are likely to be different and need to be separately considered before the implementation is progressed. We therefore commend the XRB for inviting preparers to participate in field testing of the proposed PBE IPSAS 47. We agree that field testing could provide useful information about costs and benefits prior to the standard being effective and inform the XRB's planned adoption and implementation approach.

Key principles for revenue accounting (Section F)

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

Based on the experience of our members, we understand it is often challenging to determine whether there is a "binding arrangement". A binding arrangement is defined in paragraph 4 of the ED as "an arrangement that confers both rights and obligations, enforceable through legal or equivalent means, on the parties to the arrangement." Therefore, the existence of a binding arrangement is underpinned by the principle of enforceability which may involve significant judgement.

Paragraph AG16 states that an arrangement is "enforceable" if it includes clearly specified rights and obligations for each involved party and remedies for non-completion by each involved party which can be enforced through the identified enforcement mechanisms. Some of our members have advised that the arrangements to which PBEs are parties may not be sufficiently specific about the rights and obligations. This may result in circumstances where it is unclear whether there is a binding arrangement, and if so, how its rights and obligations should be accounted for.

Paragraph 14 asserts that a binding arrangement can be written, oral or implied by an entity's customary practices. Preparers have advised that it could be very challenging to provide sufficient appropriate audit evidence for an oral arrangement, and an implied arrangement may be judgemental for similar reasons. This lack of clarity may also hinder the practical ability to determine the enforceability of such terms.

Overall, the broad overarching revenue recognition principles could lead to diversity in application because of the different judgements such as whether there is a binding arrangement (i.e. whether the arrangement is "enforceable"), when compliance obligations are satisfied or whether there are 'other' obligations.

Revenue recognition (Section G)

3. **Do you agree with the proposed approach to revenue recognition for transactions *without* binding arrangements? Are there any specific challenges you foresee in applying this approach?**

We agree with the proposed approach to revenue recognition for transactions without binding arrangements which allows for deferral of revenue in certain circumstances, which can provide more useful information to stakeholders. However, the use of different terms; "obligation" and "enforceable obligation" in paragraphs 29(a) and 29(b) respectively has caused confusion as to what the distinction is and if there is meant to be one. We recommend this terminology is clarified by using consistent terminology to the discussion in the PBE Conceptual Framework on the definition of a liability in paragraphs 5.14-5.26. The challenges are compounded by the application guidance, implementation guidance and illustrative examples being focused on transactions with binding arrangements.

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

We agree with the proposed approach to revenue recognition for transactions with binding arrangements.

However, given judgement is critical to assess whether enforceability exists, some classification inconsistencies should be expected and the issue of a lack of comparability could continue. In our view, transition will be a significant challenge for the PBE sector, based on the experience in the for-profit sector.

Implementation and specific issues (Section H)

5a. What challenges do you anticipate in implementing PBE IPSAS 47, including any specific transactions or scenarios where additional clarification may be needed?

We have a general concern about the ability of preparers and auditors to understand and consistently apply the proposed requirements in the ED due to its length and complexity. Given that some PBEs are required to evaluate their revenue transactions based on various, different agreements, this could seriously challenge a resource-constrained sector.

We are also concerned that there are few illustrative examples specifically relating to revenue transactions without a binding arrangement, which are likely to be very common. Illustrative examples could focus on determining when an entity has satisfied its obligations over time, like paragraphs 92 and 93 relating to binding arrangements satisfying compliance obligations over time.

We expect that applying the transitional provisions would be time consuming and complex for some PBEs because there could be technical accounting and legal skills required to identify the existence of a binding arrangement, and compliance obligations, which underpin the new revenue recognition model. Hence, we support field testing prior to implementation to ensure any issues are identified and addressed by way of variations to the transitional provisions if needed.

5b. What support or guidance would be most helpful to assist with these challenges?

We welcome the extensive application guidance, implementation guidance and 56 illustrative examples which we believe will assist. However, we note that there are only two illustrative examples covering transactions without binding arrangements (Example 8 and Example 35 Case A1) which appears unbalanced. In addition, in the illustrative examples covering transactions with binding arrangements, more on the thought process or rationale for the judgements in step one (confirm binding arrangement model criteria are met) and step two (identify compliance obligations) of the five-step revenue recognition model would be welcomed.

The implementation guidance, which includes the illustrative examples, could also be supplemented with recorded webinars to cover educational content that may assist. In this instance, there may also be a strong case to establish an implementation working group to support preparers and auditors in their transition to PBE IPSAS 47.

There will need to be a significant awareness raising campaign and education programme to support the implementation process, particularly for the NFP sector.

Disclosures and RDR concessions (Section I)

6. Do you consider the disclosure requirements in PBE IPSAS 47 to be appropriate and proportionate to the needs of users of PBE financial statements?

In relation to services in-kind that are not recognised, it is not logical that the disclosure requirements for Tier 1, qualitative disclosures are *strongly encouraged* (ED paragraph 175) are less than those for Tier 3, where qualitative disclosures are *required* by paragraph A222.

Disclosure of qualitative information about services in-kind is critical to provide transparency as to how reliant on volunteer services the PBE sector is, and it would better facilitate policy decisions. This is particularly so for those entities where without volunteers, the government would need to step in (e.g. essential services such as ambulance and fire).

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

There is a proposed RDR concession in relation to services in-kind that are not recognised. Consistent with our response to question 6, it is not logical that there are *no* disclosure requirements for Tier 2 entities (ED paragraph 175), when qualitative disclosures are *required* for Tier 3 entities (paragraph A222).

Mandatory date and other comments (Section J)

8. Do you agree with the proposed mandatory date of 1 January 2029?

Some PBEs may find transition a difficult and time-consuming exercise, and we expect the NFP sector may require additional support, so we agree that the XRB should provide a longer than normal lead time for entities to transition.

The transition to PBE IPSAS 47 involves a completely new revenue recognition model which may be complex to implement. The nature of the transitional provisions including the need to evaluate the practical expedients may also challenge smaller Tier 2 PBEs.

9. Do you have any other comments on the ED?

Transitional provisions

There is no prospective application transition option for the proposed PBE IPSAS 47 like there is for proposed PBE IPSAS 48. We acknowledge the rationale as to why this may be, such as the potential impact on comparability, added complexity, and other reasons. However, we suggest it be permitted as an option to alleviate the significant initial costs associated with reviewing all existing arrangements. This is on the basis that it is not likely to have a major impact due to:

- The impact on the timing and amount of revenue recognition may be minimal for many PBEs.
- The move away from multi-year funding arrangements.

Minor editorials

Paragraph BC13 refers to “Implementation Guidance *Appendix* G” – we believe this should be “Implementation Guidance *Section* G”.

Appendix B

Responses to specific questions in Consultation Document – PBE IPSAS 48 Transfer Expenses

Benefit vs cost consideration (Section D)

1a. What are the anticipated benefits of adopting the proposed PBE IPSAS 48 for your organisation? Please provide specific examples.

We have concerns that the anticipated benefits of adopting the proposed PBE IPSAS 48 outlined in the consultation paper are being overstated. Our reasons for this view are set out below:

- *Fills the current gap in PBE Standards*: While there is currently no PBE Standard addressing the accounting for transfer expenses, there does not appear to be wide-spread demand for such a standard. We understand there is some divergence in practice in the public sector, but this appears to be largely limited to social benefit transactions. Overall, user needs appear to be met by information currently provided. It is unclear if the proposed PBE IPSAS 48 would improve the information provided to users of PBE financial reports or promote higher quality financial reporting by PBEs in New Zealand.
- *Guidance on challenging accounting issues:* Proposed PBE IPSAS 48 allows the deferral of expenses for transactions with binding arrangements, which may be a desirable accounting outcome for certain entities and therefore is considered a benefit. However, we are concerned that the proposed PBE IPSAS 48 could influence how transactions happen, e.g. designed to achieve a preferred accounting outcome, which is not the purpose or objective of accounting standards.
- *Consistency across the PBE sectors*: In our view, it is not imperative that there is a consistent framework for transfer expense recognition for all PBEs. We do not foresee any major issues if proposed PBE IPSAS 48 were applicable for public sectors entities prior to it being adopted for NFPs in New Zealand to allow time for more comprehensive field testing to be conducted for this sector.
- *Coherence*: While the core principles of proposed PBE IPSAS 48 are consistent with those of proposed PBE IPSAS 47, there are differences in terminology. For example, proposed PBE IPSAS 47 uses the terms resource recipient and resource provider (noting that the term “resource recipient” is not defined). These are similar, but not identical, to those used in proposed PBE IPSAS 48, which are transfer recipient and transfer provider. The distinction between the terminologies is unclear and could be confusing given the two EDs are essentially referring to the same parties.

1b. What are the anticipated initial and ongoing costs your organisation may incur in adopting the proposed PBE IPSAS 48? Please provide specific examples.

Our stakeholders have identified significant concerns relating to the initial and ongoing costs of ED PBE IPSAS 48 as follows:

- PBE IPSAS 48 introduces new judgements, the complexity of which will vary by entity depending on the nature and volume of transactions. For example, PBE IPSAS 48 permits the recognition of a transfer right asset if there is a binding arrangement and funds are transferred up front – a significant change to the current accounting treatment. The recognition of a transfer right asset, and subsequent derecognition (and recognition of a transfer expense) as or when the transfer recipient satisfies its obligations, introduces complexity due to its subjectivity, which is likely to be time consuming.
- Under the retrospective application transition option, PBEs would need to reassess all existing arrangements which could be a resource intensive and hence costly exercise initially. The extent of which would depend on the number of individual arrangements a PBE has in place, but could be significant for certain types of NFPs, such as grant making organisations.
- Ongoing costs would likely persist as PBEs continually have to assess new or revised arrangements.
- There would be a significant ongoing cost related to the transfer provider implicitly being required to ‘monitor’ or ‘track’ the transfer recipient’s satisfaction of its obligations under a binding arrangement. This may require transfer providers to implement and resource a whole new system, process and controls.
- Current grant acquittal / accountability reporting might not provide the necessary information for the transfer provider’s financial reporting, and therefore necessitate a whole new system, process and controls for additional discrete reporting for transfer recipients.
- Challenges for auditors in obtaining sufficient appropriate audit evidence over the transfer provider’s accounting treatment.
- These challenges are likely to be exacerbated for NFPs given potential resource constraints. There are also the opportunity costs whereby these scarce resources are redirected from the delivery of critical goods and services.

1c. 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.

Feedback from our stakeholders is that it is not clear that the proposed PBE IPSAS 48 would better meet the needs of PBE user groups as a whole. Therefore, it is not clear that the benefits of adopting PBE IPSAS 48 would outweigh the costs.

The costs and benefits for public sector and NFP entities are likely to be different so there may be a need to consider them separately. Therefore, we commend the XRB for inviting preparers to participate in field testing the proposed PBE IPSAS 48. Such field testing would provide useful information about costs and benefits which we believe is needed prior to adoption of the standard, particularly for NFPs in New Zealand. If this identifies a need to delay the adoption of proposed PBE IPSAS 48 for NFPs in New Zealand, and for public sector entities to go first, then this is an acceptable outcome in our view.

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?

Conceptually we support the proposed accounting treatment for transfer expenses. Given the key principles for transfer expenses accounting are aligned to the key principles for revenue accounting, our stakeholders are of the view that the same challenges are likely to be encountered. Like ED PBE IPSAS 47, in practice, it is likely to be challenging to assess whether there is a binding arrangement because of the subjectivity involved in assessing elements of enforceability. Transfer providers may also find it challenging to 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.

Due to information asymmetry and judgements involved, there is no practical method by which it can be established that both the transfer recipient and transfer provider have arrived at the same conclusions in recognising revenue and transfer expenses respectively. Although transaction mirroring is not required, this asymmetry may cause challenges in intra-group situations when preparing consolidated financial statements.

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?

We agree in theory with the proposed approach for transfer expenses with binding arrangements. However, we foresee several practical challenges arising from the transfer provider being implicitly required to 'monitor' or 'track' the transfer recipient's satisfaction of obligations in a binding arrangement. These are outlined as follows:

- Practical difficulties surrounding the transfer provider's ability to obtain information about the transfer recipient's satisfaction of its obligations. This may necessitate the development of new systems, processes and controls in excess of what is currently required under grant acquittal arrangements in order to provide the necessary evidence to support the judgements being made. Such new systems may require a significant investment of time and resources.

- The above practicalities are exacerbated in cases where the obligation has a significantly long timespan and/or is delivered in a form that is difficult to monitor e.g. services.
- The auditor of the transfer provider's financial statements will need to be satisfied with the sufficiency and appropriateness of audit evidence that supports the transfer right asset and again current grant acquittal arrangements may not be adequate.
- Delays in preparation of the transfer provider's financial statements due to delays in availability and/or provision of information by the transfer recipient.

We also are concerned that paragraph AG39 which states: "If the entity cannot reliably estimate the transfer recipient's progress towards complete satisfaction of its obligations, the transfer right asset shall be expensed immediately" will be used as a means to avoid ongoing 'monitoring' or 'tracking' of the transfer recipient's satisfaction of distinct obligations in a binding arrangement and for transfer providers to continue with their current grant acquittal arrangements.

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?

(a) We agree in principle with the proposed approach for transfer expenses without binding arrangements. Transfer providers may experience some challenges in first determining whether or not a provision exists i.e. whether they have a legal or constructive obligation to transfer resources, as this can be judgemental.

(b) Consistent with the consultation paper; we understand central and local government entities have developed their own accounting policies when accounting for social benefit transactions, based on the requirements within PBE IPSAS 19. Since the proposed PBE IPSAS 48 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.

(c) The proposed guidance added to PBE IPSAS 19 should be useful to entities in making judgements on whether or not a legal or constructive obligation exists.

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?

We support the disclosure objectives. While we agree with cross-referencing to other applicable standards for transfer expenses and related balances disclosure requirements i.e. PBE IPSAS 30 *Financial Instruments: Disclosures* for financial assets and financial liability measured at amortised cost, and PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets* for provisions. However, we are concerned it may not be entirely clear which disclosures from these standards are applicable, so we recommend the inclusion of paragraph references also.

As a separate point, we note paragraph 60 says: “An entity may enter an arrangement for a transfer that is not a binding arrangement” which appears superfluous in the context of a disclosure requirement. We recommend that the wording of this paragraph more closely aligns to that of paragraph 59; for example, “An entity shall disclose information about its material transfers without binding arrangements, including a description of the following”.

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

Our response to question 5 is also relevant here with regards to more specificity with cross-referencing for RDR concessions for Tier 2 PBEs.

Implementation and specific issues (Section H)

7a. What challenges do you anticipate in implementing PBE IPSAS 48, including any specific transactions or scenarios where additional clarification may be needed?

Please refer to our responses to questions 2, 3 and 4 which also include some anticipated implementation challenges. There will need to be a significant awareness raising campaign and education programme to support the implementation process, particularly for the NFP sector.

7b. What support or guidance would be most helpful to assist with these challenges?

If the XRB decides to adopt the standard, establishing implementation working groups would be useful given the unfamiliar nature of the standard and the possible large quantum of transactions impacted.

Mandatory date and other comments (Section I)

8. Do you agree with the proposed mandatory date of 1 January 2029?

Notwithstanding our above concerns regarding the ED, if the XRB proceeds with adopting the standard, we expect some PBEs may find transition a difficult and time-consuming exercise. We also expect the NFP sector may require additional support, therefore we agree that the XRB should provide a longer than normal lead time for entities to transition.

9. Do you have any other comments on the ED?

Notwithstanding our above concerns regarding the ED, if the XRB proceeds with adopting the standard, we support the prospective application transition option as it would alleviate the cost of having to reassess all existing arrangements.

Appendix C

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 140,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations and communities in which they work and live.

Around the world, Chartered Accountants are known for their integrity, financial skills, adaptability and the rigour of their professional education and training.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

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We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

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We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 13 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.

Inland Revenue
Te Tari Taake

External Reporting Board
Level 6 / 154 Featherston Street
Central Wellington 6011

28 November 2025

To: accounting@xrb.govt.nz

Feedback on the proposed accounting standards – ED PBE IPSAS 47 Revenue and ED PBE IPSAS 48 Transfer Expenses

Introduction

Thank you for the opportunity to provide comments on the proposed accounting standard for revenue (ED PBE IPSAS 47 Revenue ("ED 47")) and transfer expenses (ED PBE IPSAS 48 Transfer Expenses ("ED 48")).

Inland Revenue administers tax and certain social policy programmes on behalf of the Government of New Zealand. These transactions are unique in nature and generally fall outside the scope of binding arrangements. This submission focuses on the application of the proposed standards in relation to tax revenue, receivables and social policy and identifies key ambiguities that we consider require further clarification or consideration to ensure consistent The application of the principles, and enable transparent and reliable reporting of tax revenue and social policy expenses.

In general, we support the direction and intention of the proposed standards.

We acknowledge the intent of ED 47 is to provide a comprehensive framework for revenue recognition, however we consider the treatment of tax revenue requires distinct consideration due to its unique nature.

With regards to ED 48, we support a new public sector standard addressing grants and the timing of expenses from the provider's perspective because we believe this is a gap in current standards.

Response in relation to ED 47

Revenue recognition (Section G)

3. Do you agree with the proposed approach to revenue recognition for transactions without binding arrangements? Are there any specific challenges you foresee in applying this approach?

We note that ED 47 requires entities to determine whether revenue transactions are entered into with or without a binding arrangement. While we agree with this principle, we recognise that the binary distinction may be challenging to apply in practice, particularly given the wide range of arrangements in the public sector, where rights and obligations are often implied rather than explicit.

This highlights the importance of practical guidance tailored to the public sector to clarify how concepts such as "binding arrangement" and "enforceability" might apply." Doing so will likely require significant judgement, as well as close collaboration with other public sector agencies, such as the Treasury, to develop centralised application guidance where appropriate.

However, this will take time, given the volume of material and examples that need to be considered. We also acknowledge that issues with the standard may arise that have not yet been identified in this submission. We are keen to engage further on these and the other points raised below.

In the meantime, we have raised specific questions regarding the accounting treatment of tax revenue, which we would appreciate the XRB addressing before the EDs are finalised as mandatory standards.

ED 47 Paragraph 4 - Clarify the meaning of" transaction consideration".

ED 47 introduces the concept of" transaction consideration", defined in paragraph 4 as the 'amount of resources to which an entity expects to be entitled'.

We also note in paragraph 30 that:

> *"an inflow of resources or a right to an inflow of resources that meets the definition of an asset shall initially be measured by the entity at its transaction consideration as at the date at which the criteria for asset recognition are satisfied…"*

The definition of "transaction consideration" suggests that in respect of taxes, the Government should report as revenue the amount that it is entitled to legally, which could be interpreted as the face value or nominal value of a tax levied.

However, paragraphs 45 and 46 introduce the concept of expected recoverability and measurement of the best estimate of inflow of resources for measuring the asset at initial recognition. We note that paragraph 45 says:

> *"…The accounting policies for estimating these assets will take account of both the probability that the resources arising from taxation transactions will flow to the government, and the fair value of the resultant assets."*

The concept of fair value on initial recognition in paragraph 45 is different from what could be implied by the definition of "transaction consideration" in paragraph 4.

As a result, it is unclear which of the following options we should apply to the presentation of tax revenue under ED 47:

Option (a) tax receivables at fair value, tax revenue at the amount of taxes levied (face value), and a day one impairment expense (being the difference between tax revenue and tax receivables) or

Option (b) tax receivables and tax revenue both at fair value.

We currently believe PBE IPSAS 23 requires revenue from non-exchange transactions to be initially recognised at the fair value of the asset. In practice, however, we apply option (a) for the initial recognition of tax revenue and tax receivables, while annually assessing that the face value and fair value of tax revenue are materially aligned. This was also the practice before we adopted PBE IPSAS 23.

It would be beneficial if ED 47 offered greater clarity on how tax revenue and tax receivables should be measured at initial recognition, particularly in light of the new definition of "transaction consideration." This raises an important question: which of the presentation options outlined does the XRB consider most useful for users of public sector financial statements? We are keen to engage further on this.

ED 47 Paragraph 31 - *use of PBE IPSAS 41 Financial Instruments "By analogy"*

We consider that paragraph 31 would require tax receivables to be subsequently measured in accordance with PBE IPSAS 41 "by analogy". We assume this would mean application of PBE IPSAS 41 in full, including all subsequent measurement requirements and disclosures. We also note that ED 47 proposes to update PBE IPSAS 41 to include both the initial recognition and initial measurement of rights and obligations arising from revenue transactions to which ED 47 Revenue applies and any subsequent impairment requirements arising from those rights.

In practice, we have determined that tax receivables (and other sovereign receivables) are currently not in scope of PBE IPSAS 41 because they do not meet the definition of a financial instrument (which is "any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity"). Currently, we report tax receivables initially under PBE IPSAS 23 as they arise from a non-exchange transaction, and we subsequently measure them at their recoverable amount under PBE IPSAS 26.

We do not agree with the view in ED 47 that all of our tax receivables are substantially the same as a contractual financial instrument, and therefore, by analogy, PBE IPSAS 41 is the standard to be applied for subsequent measurement. We are particularly concerned about the application of PBE IPSAS 41 to the significant portion of tax receivables which reflects an estimate of taxes, in contrast to tax receivables based on assessed tax debt.

In accordance with PBE IPSAS 23 (and brought forward in ED 47), Inland Revenue currently recognises revenue when the taxable event occurs. For some of our taxes, including income tax, this requires complex estimation and statistical models to be able to report revenue based on the taxable event. This estimation is necessary because it can be up to two years between a taxable event occurring and taxpayers filing a tax return (that covers the taxable event period). In the intervening time, estimated receivables are continuously reassessed as more estimation information becomes available, until the point when the taxpayer files their final tax return for the relevant tax period. The estimation could be thought of as a projection of what the final tax return (debt) will be, rather than a fixed debt awaiting collection. This means the "contractual" cashflows from tax receivables only crystalise and become due in the way PBE IPSAS 41 envisages at the point the tax return is filed. We are therefore uncertain as to the application and relevance of ED IPSAS 41 to all tax receivables.

Our taxes receivable[1] balance of $29.974 billion reported in our 2025 annual report (Note 3 Receivables, page 144)[2] comprises both assessed and estimated receivables. A high-level summary of the main categories of taxes receivable is provided in Appendix A.

We recommend that the XRB develops explicit guidance on the subsequent measurement of tax receivables, including whether PBE IPSAS 41 can be applied "by analogy" in practice, given that a significant portion of tax receivables are estimates and "contractual cash flows" are not known until tax returns are filed. If PBE IPSAS 41 is considered the appropriate guidance "by analogy", we recommend specific guidance is provided as to the extent to which PBE IPSAS 41 should be applied, including the appropriate valuation methodology under PBE IPSAS 41. In addition, we would like the XRB to provide clarity on when it is more appropriate to apply PBE IPSAS 26, *Impairment of Cash-generating Assets* to the subsequent measurement of tax receivables, rather than PBE IPSAS 41 by analogy.

The current lack of clarity risks divergent practices and may undermine comparability. Lack of clarity will also add implementation costs to preparers (and auditors) when applying the standard. The change from a recoverable amount approach currently under PBE IPSAS 26 to IPSAS 41 by analogy may result in confusion for users of financial statements.

9. Do you have any other comments on the ED

ED 47 Paragraph 34 *Wording in Paragraph 34*

As" transaction consideration" is a newly introduced term in ED 47, we recommend that it be applied consistently throughout the standard. For instance, paragraph 34 currently refers to

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[1] Includes general taxes, Working for Families Tax Credits, COVID-19 debt (excluding the Small Business Cashflow Scheme), and any penalties and interest associated with these activities.
[2] A link to the Inland Revenue's annual report for the year ended 30 June 2025 can be found here: [Inland Revenue Annual Report Te Tari Taake Pūrongo ā-Tau 2024-25]

"the consideration received or receivable." For clarity and consistency, can this be revised to "the transaction consideration received or receivable."

Response in relation to ED 48

Mandatory date and other comments (Section I)

9. Do you have any other comments on the ED

We acknowledge the introduction of guidance on transfer expenses and note that, conceptually, these are similar in substance to grants, as the expenditure is incurred for the benefit of a third party without the provider receiving goods or services in return.

We welcome the development of a Public Sector standard addressing grants from the provider's perspective.

To enhance clarity and practical application, we recommend providing additional examples of transfer expenses without binding arrangements and ideally including a decision tree within the interpretations section.

We note that the NZASB considered the proposed disclosure requirements under ED 48 relating to social benefit transactions that are in addition to other existing PBE standards or Treasury instructions (BC18 refers). They acknowledged in BC 17 that they are not aware of any concerns with the existing reporting of social benefit transactions (either in terms of presentation or disclosure).

NZASB concluded that the Crown annual financial statements would require additional disclosures for Transfer Expenses both with and without binding arrangements. The additional disclosures required in relation to social benefit transactions, according to para BC19 are:

"additional information on social benefit transactions to be disclosed in the Crown annual financial statements:

a) Para 54 requires *"qualitative and quantitative information on significant transfers arising from transactions with or without a binding arrangement"*
b) Para 60 requires *"disclosure on the purpose of the transfers without a binding arrangement as well as significant payment terms (if any) and the nature of the resources that have been (or will be) allocated."*

NZASB noted that these additional disclosures may lead to lengthy disclosures that may potentially have little value to the user of the financial statements, given the availability of other publicly available resources. As such they considered option 1) exempting preparers from making the disclosures, option 2) permitting cross referencing to other statements or reports that are readily available and option 3) emphasising the application of materiality and professional judgement to the extent and nature of disclosure. They concluded option 3 would be the most appropriate.

Inland Revenue pays a significant number of social benefits which would be considered material and therefore under the proposed ED 48, we would be required to add extensive disclosure around the purpose of the benefit, payment terms and the nature of resources. This is a departure from current standards where disclosure is minimal. Social benefit payments are largely driven by legislation and are covered by appropriations (limited by scope and type). They are currently shown on the face of the financial performance, with no requirement to provide more detail. This information is already publicly available from other sources, and we see limited value in repeating the information in the financial schedules. We therefore request the XRB to reconsider this requirement or provide more clarity on the value expected to be achieved in requiring this disclosure in the financial schedules. We would suggest option 2 is a more practical approach.

Please feel free to reach out to either myself or Rachel Parker (Domain Lead, Finance Services 029 890 2838) if you would like to discuss any of the matters raised in this submission further.

Your sincerely

N.S Bradley

Nick Bradley
Chief Financial Officer
Inland Revenue
029 890 3313

Appendix

Appendix A – A breakdown on the different types of receivables reported by Inland Revenue.

Receivable type	Description	Information used to measure revenue/receivable	Revisions to estimates
Estimated revenue	Tax revenue is accrued evenly over the relevant period as the taxable event occurs. If no tax return or provisional assessment is available, revenue is estimated using prior returns, provisional tax, and payment data.	Uses prior tax returns, provisional tax info, and economic growth indicators (e.g. net operating surplus growth).	Estimates are replaced with actuals when returns are filed
Provisional tax assessment (Only applies to income tax)	Taxpayers with residual income tax over $5,000 must pay provisional tax for the next year. Amount due is estimated before the return is filed, usually at 105% of the prior year's tax (standard uplift).	Based on provisional tax assessed when prior year's return is filed; for the purpose of measuring revenue, the uplift may be adjusted for economic conditions.	Finalised when the tax return is filed (up to 18 months after year-end). When return is filed, provisional estimate is replaced by actual assessed tax.
Assessed but not yet due	Tax return filed and revenue finalised, but payment due date has not yet passed. This could be due to early filing by the taxpayer, or the significant gap between assessment due dates and payments under legislation for income tax.	Based on tax assessed in the return.	Tax is finalised; reassessments are possible but unlikely. Full payment is highly probable (however this amount is assessed for impairment at year end).
Assessed and overdue	Tax return filed, revenue finalised, and payment due date has passed. Includes penalties and interest on unpaid balances.	Based on assessed tax plus penalties and interest.	Tax is finalised; reassessments are possible but unlikely. Subsequently tested for impairment.

Submitted via email to: accounting@xrb.govt.nz

Dear Board Members,

Feedback on Exposure Draft PBE IPSAS 47 *Revenue* (ED 47) and PBE IPSAS 48 *Transfer expenses* (ED 48)

Thank you for the opportunity to comment on the above exposure drafts, which propose new requirements for the recognition of revenue and transfer expenses by Public Benefit Entities.

We note that there are some complexities in the standards which would benefit from further guidance and examples for application in a New Zealand context. For example:

- **Enforceability**: We expect application questions will arise around the concept of enforceability, both in terms of how clear the rights and obligations need to be and the mechanisms to remedy for non-completion (ED 47:AG16 / ED 48:AG17).
    - In ED 47 it would be helpful to add an additional fact pattern in IE3:Example 1 where there is specific reporting to the Government, but no specified time period. Some examples in relation to AG22-23 with a New Zealand context would also be useful.
    - In ED 48 it would be helpful to include example 1 from ED 47 showing how the scenarios would apply from the perspective of the transfer provider and an example where there is an enforceable right but not an enforceable obligation.
- **Multi-year grants**: This is a complex area that has been challenging for entities to apply under PBE IPSAS 23. Examples covering several scenarios (across binding and non-binding agreements) from the perspective of the provider and the recipient would be useful.
- **Assets arising from transfers without a binding agreement**: This is referenced in PBE IPSAS 48:IE C.1 but not explained further so would benefit from inclusion of an example.

We also consider that disclosure of total funds committed to transfer binding arrangements (but not yet paid) would be useful information for users. ED 48:59 only requires this information for material transfer binding arrangements.

Please reach out to myself or Victoria Turner if you have any queries in relation to these recommendations.

Regards,

Roselea

Roselea Paterson

Partner | Assurance & Advisory
Deloitte
Level 12, 20 Customhouse Quay, PO Box 1990, Wellington 6140, New Zealand

Submission via the XRB consultation page

FirstName	Memo
LastName	Musa
Organisation	Platform Trust
Comments	We have reviewed the proposed new revenue accounting standard. We note the rationale put forward is to consolidate revenue accounting guidance into a single based on the International Public Sector Accounting Standards Board standard IPSAS 47 Revenue. Whilst we endorse the need for consolidation of guidance especially for the NFP sector, we are concerned that there is no estimation of the time and resource investment for adoption and implementation. This relevant for the NFP sector who have experienced increased costs when it comes to auditing - in preparing of revenue recognition statement and in the meeting new or revised audit requirement. For the NFP sector it is likely that costs might outweigh or likely to be significantly higher than envisaged therefore not proportional to the estimated long-term benefits. We have reviewed the proposed new accounting standard for transfer expense. We note the broad rational that the proposal aims to reduce ambiguity and improve consistency in how transfer expenses are reported. Our main concern is that this will impose additional cost in time and resources on adoption and implementation especially for the NFP sector who generally may face greater challenges and resource constraints.

Auckland Council
Te Kaunihera o Tāmaki Makaurau

1 December 2025

Wendy Venter
Chief Executive
External Reporting Board
via email – accounting@xrb.govt.nz

Dear Wendy

Auckland Council Submission Consultation on Exposure Draft (ED) IPSAS 47 *Revenue* and Exposure Draft IPSAS 48 *Transfer Expenses*

Thank you for the opportunity to comment on the ED IPSAS relating to revenue and transfer expenses.

Auckland Council (the Council) is Australasia's largest local government entity and comprises the council and five substantive council-controlled organisations (CCOs). We invest heavily in infrastructure and many of our decisions will have a fiscal impact on Auckland's future generations, the accounting standards that guide our financial reporting have material implications for decision-making and for the transparency we provide to Aucklanders.

Our responses to the specific questions for the respondents are included in appendices to this letter, together with our additional comments provided for the XRB's consideration. We hope our feedback is helpful in aiding your decision-making process.

Should you have any queries relating to the responses, please do not hesitate to contact Jonnon Goh at the details provided below.

Yours sincerely,

Tracy Gers
Group Financial Controller
Auckland Council
tracy.gers@aucklandcouncil.govt.nz

Jonnon Goh
Group Technical Accounting Manager
Auckland Council
jonnon.goh@aucklandcouncil.govt.nz

Appendix 1 – Responses to EP IPSAS 47

Benefit vs cost consideration (Section D)

1. a. What are the anticipated benefits of adopting the proposed PBE IPSAS 47 for our organisation? Please provide specific examples.

   We acknowledge that PBE IPSAS 47 provides a clearer framework for revenue recognition, particularly around binding arrangements (e.g. enforceable through legal or equivalent means) and compliance obligations. In principle, this should help reduce some of the uncertainty that currently exists in interpreting PBE IPSAS 23 for complex funding arrangements.

   As the Auckland Council Group includes one for-profit entity, the alignment with the equivalent for-profit standard supports a consistent approach to revenue reporting. The closer alignment with IFRS is also helpful for our foreign investors who rely on comparability with international frameworks.

   Because PBE IPSAS 47 supersedes revenue standards PBE IPSAS 9, 11 and 23, its adoption offers an opportunity to evaluate all revenue streams including grants, subsidies, statutory charges, regulatory fees, and inter-entity transactions under one coherent model.

1. b. What are the anticipated initial and ongoing costs your organisation may incur in adopting the proposed PBE IPSAS 47? Please provide specific examples.

   From a practical standpoint, we expect the implementation effort to be significant. A large portion of our revenue is derived from multi-year funding agreements, statutory charges, and community programmes. Given the breadth and diversity of revenue streams (statutory, regulated, grants, subsidies, cost-recovery, inter-entity), the volume of agreements requiring review is likely to be substantial. Assessing whether each arrangement is binding, enforceable, and contains a compliance obligation will require a substantial number of contract reviews.

   We also anticipate ongoing judgment and documentation requirements. This introduces an operational burden and increases the risk of inconsistent application.

1. c. Considering the benefits and costs identified above, do you expect the benefits of adopting PBE IPSAS 47 to outweigh the costs for your organisation? Please explain your reasoning.

   We don’t consider the benefit to outweigh the costs, however, neither cost not benefit are expected to be significant in the long run.

Appendix 1 – Responses to EP IPSAS 47 (continued)

Key principles for revenue accounting (Section F)

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

   The principles are theoretically sound but raise practical concerns.

   In relation to some arrangements where enforceability is unclear or deliberately not formalised, determining the intent of parties retrospectively—even for immaterial agreements—may require legal interpretation. The distinction between a compliance obligation and a general expectation is not always clear. Without more guidance, this creates scope for significant judgement and inconsistent interpretation across the public sector.

   We need more practical examples for revenue that can be charged because of the provision of infrastructure development, for example infrastructure growth charges and development contributions. IE280 on page 185 gives an example on the transfer that relates to the construction and operation of an asset, however the example is straightforward with respect to the compliance obligation.

Revenue recognition (Section G)

3. Do you agree with the proposed approach to revenue recognition for transactions *without* binding arrangements? Are there any specific challenges you foresee in applying this approach?

   We agree with immediate recognition when no enforceable obligations exist, but note practical issues for grants with strong expectations. However, in practice, this may not always reflect how funding is intended to operate.

   For example, some grants are provided with strong expectations of how the funds should be used, even if those expectations are not legally enforceable. Recognising the full revenue upfront may give a potentially incomplete impression that the Council has complete discretion and may also create volatility between years if similar agreements are documented differently.

Appendix 1 – Responses to EP IPSAS 47 (continued)

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

   The Council receives grants and subsidies from many central government agencies. The terms relating to the use of these funds differs from agency to agency, and nature of spend. This could mean that a lot of analysis is required to determine the timing of revenue recognition of grants.

   Some arrangements include milestones, reporting obligations, and outcome indicators that are not easily measurable. Determining whether these represent enforceable compliance obligations, and then allocating consideration across them, could be highly subjective.

   There is a risk that the standard creates an appearance of precision that cannot be achieved reliably.

   For long-term infrastructure funding, deliverables may change over time due to project scope changes or regulatory amendments. It is unclear how enforceability and obligations should be reassessed in such cases.

Implementation and specific issues (Section H)

5. a. What challenges do you anticipate in implementing PBE IPSAS 47, including any specific transactions or scenarios where additional clarification may be needed?

   Paragraph IE6, page 138 of PBE IPSAS 47 (Case C) indicates that where the Government is able to confirm and enforce its requirement for the entity to report the spending of the grants, the transaction may be classified as revenue arising from a binding arrangement. We seek clarification on whether the mere requirement for the entity to report its expenditure to the Government would be sufficient to meet the criteria for a binding arrangement.

   Historically, our assessment has focused on whether the agreement includes enforceable clauses requiring the return of any unspent funds to the grantor, as an indicator that the grant revenue is subject to conditions and revenue is recognised when compliance obligation is satisfied/ conditions are met.

   If the requirement for the entity to report its expenditure to the Government is sufficient to establish a binding arrangement, consideration should be given to removing the statement “and that any misused or unused funds are to be returned to the Government” from the example. Including this statement may lead users of the standards to interpret that the return of unused funds is a necessary condition for a binding arrangement, which may not align with the intended guidance.

Appendix 1 – Responses to EP IPSAS 47 (continued)

5. b. What support or guidance would be most helpful to assist with these challenges?

   We appreciate that the ED includes a set of illustrative examples, fact sheets and the promise of educational materials. However, we consider that additional, New Zealand-specific guidance remains necessary for effective and consistent implementation by large public-sector entities.

   Helpful support would include:
   - Examples and guidance specifically addressing statutory/regulatory revenue and bylaw-based charges.
   - Worked examples of multi-party / co-funded arrangements (e.g. grants, subsidies, central-government agencies grants, community programmes, joint projects, inter-entity transfers).
   - Practical examples for long-term, multi-year capital funding / infrastructure grants with changing deliverables or scope.
   - Decision trees or flowcharts tailored to typical NZ public-sector revenue scenarios, to assist staff in determining enforceability, compliance obligations, and timing of recognition.
   - Sector-wide workshops or webinars, especially for councils and CCOs, to promote consistent interpretation and application across the public sector.

Disclosures and RDR concessions (Section I)

6. Do you consider the disclosure requirements in PBE IPSAS 47 to be appropriate and proportionate to the needs of users of PBE financial statements?

   We recognise the value of enhanced disclosures to improve transparency and information for users. However, for a large, complex organisation with a wide variety of revenue streams (statutory charges, grants, subsidies, fees, inter-entity transfers, cost-recovery), the burden of producing the required level of disclosure may be substantial.

   Councils have to prepare funding impact statements as part of their annual reports. The illustrative example differs from the funding impact statements mandated by legislation, which we typically align in terms of revenue classification. The introduction of the new revenue standards will result in a different disclosure format, while the funding impact statement continues to present revenue in an alternative manner. This divergence will affect the consistency of figures reported across the two statements.

   The illustrative example also does not provide meaningful information to users of the financial statements, that not all users will understand the criteria for binding agreements. We would suggest that disclosing the revenue by nature of revenue such as grants and fees and charges are more meaningful for the users of the financial statements.

Appendix 1 – Responses to EP IPSAS 47 (continued)

Public Sector Entity—Statement of Comprehensive Revenue and Expenses for the Year Ended December 31, 20X2

(Illustrating the Classification of Expenses by Nature)

(in thousands of currency units)

	20X2	**20X1**
Revenue**		
Taxes	X	X
~~Fees, fines, penalties, and licenses~~Other compulsory contributions and levies	X	X
~~Revenue from exchange transactions~~	~~X~~	~~X~~
Transfers ~~from other government entities~~ without a binding arrangement	X	X
Revenue from compliance obligations in a binding arrangement	X	X
Other revenue	X	X
Total revenue	X	X

Form 5

Funding impact statement for annual report (whole of council)

Clause 30, Schedule 10, Local Government Act 2002

[*Name of council*]: Funding impact statement for [*period*] (whole of council)

	***[*Year −1*] Annual plan**	**[*Year −1*] Annual report**	**[*Year 1*] Annual plan**	**[*Year 1*] Actual**
	($000)	**($000)**	**($000)**	**($000)**
Sources of operating funding				
General rates, uniform annual general charge, rates penalties				
Targeted rates				
Subsidies and grants for operating purposes				
Fees and charges				
Interest and dividends from investments				
Local authorities fuel tax, fines, infringement fees, and other receipts				
Total operating funding (A)				

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

   We do not have any further comments.

Mandatory date and other comments (Section J)

8. Do you agree with the proposed mandatory date of 1 January 2029?

   We agree with the proposed mandatory date of 1 January 2029.

9. Do you have any other comments on the ED?

   We do not have other comments on the ED.

Appendix 2 – Responses to EP IPSAS 48

Benefit vs cost consideration (Section D)

1. a. What are the anticipated benefits of adopting the proposed PBE IPSAS 47 for our organisation? Please provide specific examples.

   We acknowledge that the proposed standard provides a clearer framework for transfer expense recognition, particularly around binding arrangements, enforceability, and transfer rights. In principle, this should help reduce uncertainty that currently exists when interpreting PBE IPSAS 19 for grants, subsidies, and other transfer payments.

   By introducing a coherent model for recognising both binding and non-binding arrangements, the standard promotes consistency and transparency in accounting for transfer expenses across the public sector. For the Council, which administers numerous grants, subsidies, community funding programmes, and inter-entity transfers, adoption of PBE IPSAS 48 could enhance the clarity of obligations, the timing of expense recognition, and overall comparability of financial reporting.

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.

   The anticipated costs and practical challenges are similar to those noted for PBE IPSAS 47, including reviewing a large number of transfer arrangements, assessing enforceability and constructive obligations, and updating systems and processes to support consistent interpretation.

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.

   As with PBE IPSAS 47, similar challenges exist. The benefits may not clearly outweigh the implementation and operational costs, particularly given the judgement required for distinguishing legal versus constructive obligations.

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?

   The challenges are similar to those identified for revenue accounting. Please refer to Appendix 1 no 2 responses.

Appendix 2 – Responses to EP IPSAS 48 (continued)

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?

   We support recognising a liability until transfer conditions are satisfied under binding arrangements. For non-binding arrangements, determining constructive obligations may accelerate recognition. This aligns with the economic substance of obligations in grant and subsidy arrangements.

   However, practical challenges include distinguishing substantive conditions from administrative or reporting requirements, allocating expenses across multiple performance obligations, and measuring liabilities where outcomes or entitlements are uncertain.

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?

   We agree with the proposed approach for non-binding arrangements. However, determining when a constructive obligation exists may be difficult, especially for discretionary funding or long-standing policy commitments. This may result in earlier recognition of liabilities or expenses than currently reported.

   (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?

   Certain social benefit programmes may be affected if constructive obligations are broadly interpreted. This could result in recognising liabilities or expenses before funding is formally committed, which may not reflect the discretionary nature or policy intent of these programmes.

   (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?

   While the additions provide useful guidance, further examples are needed to support PBEs in distinguishing legal from constructive obligations, particularly in New Zealand public-sector contexts, including statutory schemes, discretionary grants, and inter-entity funding.

Appendix 2 – Responses to EP IPSAS 48 (continued)

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?

   The disclosure requirements enhance transparency but may be burdensome for large organisations managing diverse programmes. Capturing detailed information on obligations, conditions, and milestones across all transfers may create significant operational effort, and the incremental benefit to users should be considered against this cost.

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

   We support the proposed RDR concessions for Tier 2 PBEs. For Tier 1 entities, guidance on aggregation and materiality could assist in managing compliance costs

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?

   Implementation challenges for the Council include reviewing a large volume of grants, subsidies, and inter-entity transfers to identify enforceable and constructive obligations, processes to capture obligations and performance milestones; training staff and CCO administrators; and ensuring consistent interpretation across multi-party or co-funded arrangements. Assessing long-term funding commitments under the constructive-obligation model may also create judgmental uncertainty.

7. b. What support or guidance would be most helpful to assist with these challenges?

   We would benefit from New Zealand-specific examples of common public-sector scenarios, decision trees or flowcharts for assessing enforceable and constructive obligations, guidance on materiality thresholds, workshops for staff and administrators, and phased implementation support, including pilot or trial programs to test the practical application of the standard.

Mandatory date and other comments (Section I)

8. Do you agree with the proposed mandatory date of 1 January 2029?

   We agree with the proposed mandatory date of 1 January 2029.

9. Do you have any other comments on the ED?

   We do not have any other comments on the ED.

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9 December 2025

Dr Carolyn Cordrey
Chair, New Zealand Accounting Standards Board
Level 6, 154 Featherston Street
Wellington 6011

Tēnā koe Carolyn

Proposed new accounting standards for revenue and transfer expenses

Thank you for the opportunity to comment on the consultation documents titled "Proposed new revenue accounting standard" and "Proposed new accounting standard for transfer expenses" for public benefit entities. Thank you also for accepting a late submission.

As the auditor of all public entities in New Zealand, our feedback in the appendices is provided from a broader public sector perspective.

Overall, we support alignment with the respective International Public Sector Accounting Standards and the introduction of specific guidance for transfer expense transactions to fill the current gap in the PBE Standards.

Additional guidance, examples and clarity of the proposed principles will make implementation easier. We are happy to be engaged further, particularly as implementation guidance is produced.

If you have any questions in relation to this submission, please contact Gayani Dias gayani.dias@oag.parliament.nz

Nāku noa nā

Miranda Biggins

Miranda Biggins
Director, Audit Operations
Audit Quality Group

Appendix A – PBE IPSAS 47 *Revenue*

Benefit vs cost consideration

1a. What are the anticipated benefits of adopting the proposed PBE IPSAS 47 for your organisation? Please provide specific examples. 1b. What are the anticipated initial and ongoing costs your organisation may incur in adopting the proposed PBE IPSAS 47? Please provide specific examples. 1c. Considering the benefits and costs identified above, do you expect the benefits of adopting PBE IPSAS 47 to outweigh the costs for your organisation? Please explain your reasoning.
We note that PBE IPSAS 47 provides a more robust framework for revenue recognition, reflecting the liability recognition criteria in the PBE Conceptual Framework, capturing all enforceable obligations. This will improve financial reporting across the public sector, although some entities will see minimal practical impact. We also see the benefits of applying principles closely aligned with the for-profit revenue accounting standard, especially for 'mixed groups'. We expect there will be considerable time and resource applied to make the required judgements on adoption of the standard, and that in most cases the accounting result may be the same or similar. The investment cost could be mitigated with more New Zealand specific illustrative examples.

Key principles for revenue accounting

2. Do the binding arrangement, enforceability and compliance obligation principles outlined in the ED provide sufficient clarity for practical application? What challenges, if any, do you anticipate in applying these principles in practice?
The compliance obligation principle outlined in the ED is sufficiently clear, but the binding arrangement and enforceability principles need more clarity, guidance and illustrative examples – see comments below.
Distinguishing between revenue transactions arising from binding arrangements and those without binding arrangements may require significant judgement. It is not clear what the term "equivalent means" means and whether it is relevant in New Zealand. There is a need for more New Zealand-specific guidance and illustrative examples to determine enforceability arising from "equivalent means" that are "similar to force of law without being legal in nature" [AG15] as these terms can be subject to different interpretations in the public sector and lead to diversity in application. We also note that the current PBE Standards do not refer to legal or "equivalent means" in describing a binding arrangement. As an example, refer to paragraph 19(b) and 20 of PBE IPSAS 31), which says that: "*An asset is identifiable if it ….. arises from binding arrangements (including rights from contracts or other legal rights)* …" and "*For the purposes of this standard,* a *binding*

arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.”
A binding arrangement exists only if all of the criteria in paragraph 56 are met. If not met, paragraph 58 says that revenue is recognised only if the consideration received is non-refundable and either the compliance obligation to which the consideration relates is fully satisfied or the binding arrangement has been terminated. In contrast, under paragraph 29, *without* a binding arrangement, revenue is recognised when (or as) the entity satisfies any obligations. There is no requirement to fully satisfy the obligation. This may cause confusion.
We note that economically similar enforceable obligations can lead to different accounting outcomes in practice because the accounting for an enforceable obligation under the two models (*with* a binding arrangement and *without* a binding arrangement) is different (see example at #4 below).

Revenue recognition

3. Do you agree with the proposed approach to revenue recognition for transactions *without* binding arrangements? Are there any specific challenges you foresee in applying this approach?
We agree with the proposed approach that requires recognition of a liability for all obligations that meets the definition of a liability which is not limited to a return obligation (of resources) to the resource provider. However, we have a few observations, as follows.
We consider that there should be more guidance and examples of when a liability should be recognised and how it should be measured. We think the guidance in C3 *Allocation of the Transaction Consideration* contradicts with paragraph 32, which requires a liability to be measured at the amount required to settle the obligation. Stand-alone value (defined as the price of a good or service) may not be the same as the amount required to settle an obligation which is strictly an expected cost approach (this can be seen in Example 35 Case A and Case A1, where CU500 for vaccine A is the price at which it was previously provided to the resource provider, whereas CU100 for vaccine B is based on the expected cost approach).
4. Do you agree with the proposed approach to revenue recognition for transactions *with* binding arrangements? Are there any specific challenges you foresee in applying this approach?
We agree with the proposed five-step approach for revenue recognition of transactions with binding arrangements.
A capital transfer is defined as *a transaction that arises from a binding arrangement where a resource provider provides cash or another asset with a specification that the entity acquires or constructs a non-financial asset that will be controlled by the entity*.

It is not clear why a capital transfer arises only in a binding arrangement [Paragraph 4, A1, D3 and AG140-142]. It would be useful if the rationale for this be included in the Basis for Conclusions. We could see a scenario where an entity receives a resource (say property, plant and equipment) without a binding arrangement. Where this is the case, it could result in recognition that differs to that of a capital transfer. We suggest further consideration on whether different outcomes for seemingly similar fact pattern makes sense.

Implementation and specific issues

5a. What challenges do you anticipate in implementing PBE IPSAS 47, including any specific transactions or scenarios where additional clarification may be needed?
Resources received for internal use With regards to recognition of revenue from resources received/receivable for internal use under a binding arrangement, BC9 to BC11 and Illustrative Examples 20A and 24A include the necessity to have 'an unavoidable transfer of resources to another party' as a consequence of non-compliance. However, the proposed standard does not include such a specific requirement (the Basis for Conclusions and the Illustrative Examples accompany, but are not part of, PBE IPSAS 47). PBE IPSAS 47 does not appear to have explicit guidance on accounting for resources received for internal use *without* a binding arrangement.
Distinction between exchange and non-exchange transactions We suggest the interaction between the proposed standard and PBE IPSAS 12, PBE IPSAS 17, PBE IPSAS 16 and PBE IPSAS 31 is reviewed and the distinction between exchange and non-exchange transactions in those standards is removed. PBE IPSAS 47 does not distinguish between exchange and non-exchange transactions, but requires non-cash consideration to be initially measured at fair value <u>in accordance with relevant PBE Standards</u> [paragraph 30, 129, AG154, AG166.1]. PBE IPSAS 12 *Inventories* retains the concept of a *non-exchange* transaction [PBE IPSAS 12.16] and consequently introduces the definitions of exchange and non-exchange transactions to PBE IPSAS 12.9. Does the interaction between the two standards mean that inventory acquired through an *exchange* transaction is not initially measured at fair value, although it is non-cash consideration in a revenue transaction per the Revenue standard - because paragraph 30 and 129 say "… at its fair value, <u>in</u> <u>accordance with the relevant PBE Standard.</u>" and PBE IPSAS 12 being the only relevant PBE Standard (noting PBE Standards do not include the equivalent of IPSAS 46 *Measurement*)?

Alternatively, should we disregard in accordance with the relevant PBE Standard, and focus on AG154(a) and initially measure inventory at fair value regardless of the type of transaction (exchange or non-exchange)? Should PBE IPSAS 12 be amended, as follows, to be aligned with PBE IPSAS 47? – For an entity receiving goods (that meets the definition of inventory) as consideration in a revenue transaction, distinguishing between exchange and non-exchange is not appropriate for initial measurement at fair value – what is relevant is that the consideration is non-cash, regardless of the type of transaction (exchange or non-exchange). – For an entity receiving goods (that meets the definition of inventory) in a non-cash purchase transaction, cost should be equivalent to fair value of other consideration given to acquire the inventory. If that cannot be reliably measured, the cost should be measured, if practicable, at fair value of inventory acquired. We noted similar inconsistencies between PBE IPSAS 47 and PBE IPSAS 17 *Property, Plant and Equipment,* PBE IPSAS 16 *Investment Property* and PBE IPSAS 31 *Intangible Assets.*
AG21 of PBE IPSAS 28 *Financial Instruments: Presentation* It wasn't clear why AG21 refers to non-exchange revenue transactions, in a paragraph that refers to PBE IPSAS 47, which does not distinguish between exchange and non-exchange transactions. Can AG21 be aligned with the consequential amendments to AG114 of PBE IPSAS 41 *Financial Instruments*, which makes no separate reference to non-exchange transactions?
5b. What support or guidance would be most helpful to assist with these challenges?
See above.

Disclosures and RDR concessions

6. Do you consider the disclosure requirements in PBE IPSAS 47 to be appropriate and proportionate to the needs of users of PBE financial statements?
Overall, the disclosure requirements seem to be excessive. We encourage the Board to field test the usefulness and the time and effort required to compile the disclosures. For some public organisations, there will be many different transfer arrangement types. Where this is the case, the requirement to include the purpose of the arrangements, the significant payment terms and the nature of the resources transferred may be onerous, and will likely provide information beyond what is useful to a reader of those financial statements. It would help to reinforce the concept of materiality in the standard, to ensure that the disclosure requirements do not become too onerous. Another example; it was unclear to us how useful paragraph 178 would be - "*Compliance obligations impose limits on the use of assets, which impacts the operations of the entity. Disclosure of the amount of liabilities recognised in respect of compliance obligations assists users in making judgements about the ability of the entity to use its assets at its own discretion.*

Entities are encouraged to disaggregate by class the information required to be disclosed by paragraph 169(c)."
7. Do you agree with the proposed reduced disclosure regime (RDR) concessions for Tier 2 PBEs?
We consider that the proposed disclosure concessions for Tier 2 PBEs do not go far enough. The value of certain disclosures to users of Tier 2 financial statements is questionable. We are happy to share some examples with the XRB.

Mandatory date and other comments

8. Do you agree with the proposed mandatory date of 1 January 2029?
We believe the proposed mandatory adoption date of 1 January 2029 will provide public sector entities sufficient time to prepare for the transition, after PBE IPSAS 47 is issued as final standard in Q3 2026.
9. Do you have any other comments on the ED?
Valuation of non-cash consideration We encourage your board to consider replacing fair value with 'current value' for valuation of non-cash consideration, consistent with IPSAS 47. The term 'current value' in IPSAS 47 covers both fair value for assets held for financial capacity and current operational value ('COV') for assets held for operational capacity. This change will require similar amendments to PBE Standards which currently do not include the concept of COV. In our experience, the definition of fair value in the PBE Standards is not relevant and cannot be applied for certain public sector assets. As noted in the PBE Conceptual Framework, differences between entry and exit prices of specialised public sector assets can be significant and most assets are not carried with a view to obtaining a financial return.
Paragraph 56 (Accounting for the Binding Arrangement) under the 'Recognition' section of the proposed standard includes criteria of a binding arrangement. It would be clearer if that paragraph is included within the 'Identify whether a Binding Arrangement Exists' section (paragraph 11 to 16) consistent with the for-profit revenue accounting standard, NZ IFRS 15.
Measurement of tax revenue We consider that the requirements for the measurement of tax revenue should be clearer. We consider that the measurement model should explicitly state whether the time value of money and issues of collectability (credit risk) should be taken into account in initial measurement. Further we question whether paragraphs 49 and 50 which we believe are meant to be about variable consideration are relevant to taxation revenue. Our understanding is that the ED requires tax revenue to be measured at transaction consideration (paragraphs 30 and 45) by determining the best estimate of the inflow of resources (paragraph 45). This amount should "take account of both the probability that the

resources arising from taxation transactions will flow to the government, and the fair value of the resultant assets" (paragraph 45). Paragraph 46 discussing statistical models that consider the "history of collecting the particular tax" and "the timing of cash receipts from taxpayers". Our interpretation of the paragraphs referred to above is that the measurement model is very similar or the same as the fair value measurement requirement in PBE IPSAS 23 paragraph 67. However, we find paragraphs 49 and 50 unclear in their meaning and applicability. These paragraphs are under the heading "Measurement of Taxes with Collection Uncertainty", but the content covers recognising revenue when there is variable consideration. We are unclear whether collection uncertainty refers to credit risk or the broader risk that tax estimates will vary to subsequent assessed amounts (as discussed in paragraph 47). We are also unclear what "variable consideration" means in the context of tax revenue and suggest that is defined or clarified. We question whether the requirements in paragraphs 49 and 50 are appropriate for measurement of tax revenue in New Zealand. The concept of "highly probable reversal will not occur" appears inconsistent with "best estimate of the inflow of resources" and may lead to deferral in the recognition of tax revenue compared to the current approach.
Basis for Conclusions and improve clarity PBE IPSAS 47 is a comprehensive and much more complex standard in comparison to the PBE Standards for revenue recognition that will be superseded. The concepts and terminology of the two accounting models can cause confusion for preparers of the financial statements. Incorporating in PBE IPSAS 47 the Basis for Conclusions from IPSAS 47, and improving clarity and simplicity of the wording will make implementation easier.

Appendix B – PBE IPSAS 48 *Transfer Expenses*

Benefit vs cost consideration

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.
PBE IPSAS 48 is a much-needed standard to fill the current gap in PBE Standards for transfer expense transactions. We note that the proposed standards will ensure consistent recognition principles for revenue and transfer expenses because the key principles in PBE IPSAS 48 align closely with PBE IPSAS 47 (provided the transfer recipient and the transfer provider consistently identify binding arrangements, enforceable rights and enforceable obligations).

Key principles in transfer expense accounting

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?
Distinguishing between expense transactions arising from binding arrangements and those without binding arrangements may require significant judgement. There is a need for more New Zealand-specific guidance and illustrative examples to determine enforceability arising from “equivalent means” that are “similar to force of law without being legal in nature” [AG16] as these terms can be subject to different interpretations in the public sector and lead to diversity in application.

Recognition of transfer expense transactions

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?
Conceptually, a transfer right meets the definition of an asset as explained in BC27 of IPSAS 48, because it embodies a resource (i.e., the right to direct how the transfer recipient is to use resources internally). This is similar to a prepayment in an exchange transaction. We understand how a transfer right meets the definition of an asset in practice, when the transfer provider has an enforceable right to demand return of (or transfer to another party) the resources for non-performance even if the still owed performance does *not* contribute to

achieving the transfer provider's objectives (i.e., there is a resource which comprises of economic benefits, but no service potential). However, in New Zealand public sector, we think there may be limited situations where the arrangement would meet the definition of a binding arrangement giving rise to transfer right assets.
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?
We agree with the proposed approach for transfer expense recognition for transactions *without* binding arrangements.
(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?
We are comfortable with social benefit transactions being included within the scope of PBE IPSAS 48. Because they are without a binding arrangement, recognition and measurement of related transfer expense will follow the requirements of PBE IPSAS 19 (proposed to be amended).
(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?
The proposed paragraph 34.1 to PBE IPSAS 19 can address social welfare payments and delivery of services separately, to align with paragraph 4.1 of PBE IPSAS 48. With regards to social welfare payments, guidance can be more specific about the past event(s) that gives rise to a liability depending on the characteristics of each social benefit transaction, for example, meeting the eligibility criteria for a social benefit payment on or before the reporting date. Secondly, measurement of the liability based on each separate past event can be clearer. With regards to delivery of services such as health and education services, reference can be made to paragraph 26 of PBE IPSAS 19, which states that no provision is recognised for future costs that are part of ongoing activities. We have some concerns that the deletion of the existing Crown obligations paragraphs in PBE IPSAS 19 (11.1 to 11.3) and replacement by new paragraphs 34.1 and 34.2 may provide less clarity in determining whether or when to recognise Crown obligations as liabilities. The new hurdles for liability recognition seems to be: "*committed in the sense that it has little or no realistic alternative to avoid an outflow of resources*".

We also consider that these amendments may change the current point at which some Government obligations are recognised as liabilities, including health services (to patients already sick) and other obligations arising from policy announcements.

Disclosure and RDR concessions

5. Do you consider the disclosure requirements to be appropriate and proportionate to the needs of users of PBE financial statements?
As we have highlighted in the submission, enforceability becomes the most critical aspect of a binding arrangement. Noting paragraph 61, further thought could be given as to whether the disclosure requirements capture the importance of this.
6. Do you agree with the proposed reduced disclosure regime (RDR) concessions for Tier 2 PBEs?
We think that paragraph 59(d) *Significant risks and uncertainties relating to the realisation of transfer right assets* should not be a Tier 2 disclosure concession.

Implementation and specific issues

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

Mandatory date and other comments

8. Do you agree with the proposed mandatory date of 1 January 2029?
We believe the proposed mandatory adoption date of 1 January 2029 will provide public sector entities sufficient time to prepare for the transition, after PBE IPSAS 48 is issued as final standard in Q3 2026.
9. Do you have any other comments on the ED?
Basis for Conclusions and improve clarity The concepts and terminology of PBE IPSAS 47 and PBE IPSAS 48 can cause confusion for preparers of the financial statements (e.g. transfer provider, transfer recipient, resource provider, transfer right etc.,). Incorporating in PBE IPSAS 48 the Basis for Conclusions from IPSAS 48, and improving clarity and simplicity of the wording will make implementation easier.

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Memorandum

To:	NZASB Members
Meeting date:	12 February 2026
Subject:	**IPSASB Presentation of Financial Statements – preliminary discussion**
Date:	30 January 2026
Prepared by:	Gali Slyuzberg
Through:	Michelle Lombaard

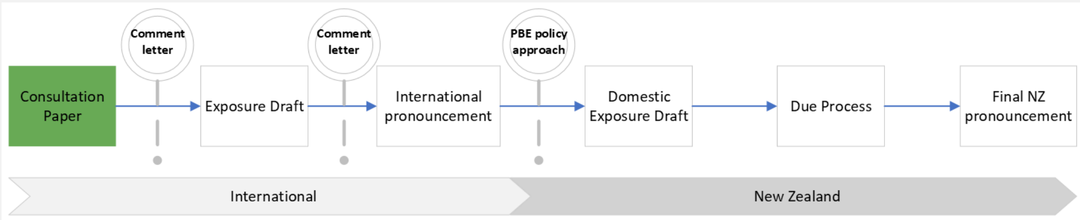
☒ **Action Required** ☐ **For Information Purposes Only**

COVER SHEET

Project overview

Project purpose	• IPSASB [per project brief]: To enhance communication of financial information by replacing IPSAS 1 *Presentation of Financial Statements* – to help public sector entities communicate their financial information better for accountability purposes and to the decision-makers that use this information. • XRB: To influence the direction of the abovementioned IPSASB project, with a view to achieve improvements in presentation and disclosure for NZ PBEs.
Cost/benefit considerations	Preliminary cost/benefit considerations are outlined in paragraph 36 of this memo.
Project priority	**Medium** • The IPSASB's proposed new standard is aligned with many aspects of IFRS 18 *Presentation and Disclosure in Financial Statements*. IFRS 18 is a significant new for-profit standard, and the IPSASB's project could have similar significant impact in the PBE sector. Considering this, as well as the fact that PBE Standards are primarily based on IPSAS, there is benefit in seeking to influence the direction of this project from a NZ perspective. • While we are not aware of major issues with the current requirements in PBE IPSAS 1 *Presentation of Financial Reports* that need urgent resolution, the structured approach and greater standardisation introduced by IFRS 18 could be helpful to users of NZ PBEs' financial reports. • This IPSASB project will have a Consultation Paper (CP) stage and an Exposure Draft (ED) stage, so a final IPSAS is not expected until late 2027 or 2028. However, considering that presentation and disclosure is an important aspect of reporting, it is useful to start considering NZ's position early.

Overview of agenda item

Project status	
Board action required	**Medium complexity** • NOTE the information on IPSASB's Presentation of Financial Statements project. • DISCUSS preliminary views on the IPSASB's upcoming CP. • PRELIMINARILY AGREE to comment on the IPSASB's upcoming CP.

Purpose[1]

1. The purpose of this memo is to update the Board on the IPSASB's Presentation of Financial Statements project, and to discuss preliminary views on the upcoming CP and whether the NZASB should comment on the CP.

Recommendations

2. We recommend that the Board:

   (a) **NOTES** the information on the IPSASB's Presentation of Financial Statements project;

   (b) **DISCUSSES** preliminary views on the IPSASB's upcoming CP; and

   (c) **PRELIMINARILY AGREE** to comment on the IPSASB's upcoming CP.

Structure of this memo

3. The remaining sections of this memo are:

   (a) Background

   (b) Reminder: IFRS 18 *Presentation of Financial Statements*

   (c) IPSASB proposals – Presentation of Financial Statements

   (d) Considerations from NZ perspective

      i. Potential impact on PBE financial statements in NZ

      ii. Preliminary cost/benefit considerations

      iii. Other considerations - MPMs

   (e) Preliminary decision on whether to comment

   (f) Next steps

[1] This memo refers to the work of the International Accounting Standards Board (IASB) and uses registered trademarks of the IFRS Foundation (for example, IFRS® Accounting Standards, IFRIC® Interpretations and IASB® papers).

Background

4. Presentation and disclosure requirements do not affect when transactions and balances are recognised in the financial statements and how they are measured. However, presentation and disclosure requirements are a key aspect of communicating information about an entity's financial performance, position and cash flows (and in New Zealand, service performance reporting) to users of general purpose financial reports – to support accountability and decision-making. Therefore, it is important that presentation and disclosure requirements in accounting standards facilitate effective communication of the abovementioned information.

5. The IPSASB's general presentation and disclosure standard IPSAS 1 *Presentation of Financial Statements*. IPSAS 1 was first issued in 2000 and then re-issued in 2006. It is primarily based on the IASB's IAS 1 *Presentation of Financial Statements* (Revised 2003).

6. Although there were several amendments to IPSAS 1 since its re-issue in 2006, it has not fully 'kept pace' with certain IASB amendments to IAS 1 and certain IPSASB-related developments. Importantly, in April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements*, which supersedes IAS 1 and makes significant changes to its requirements.

7. In 2021, as part of its Mid-Period Work Program Consultation, the IPSASB proposed adding a project on Presentation of Financial Statements to its work programme, noting:

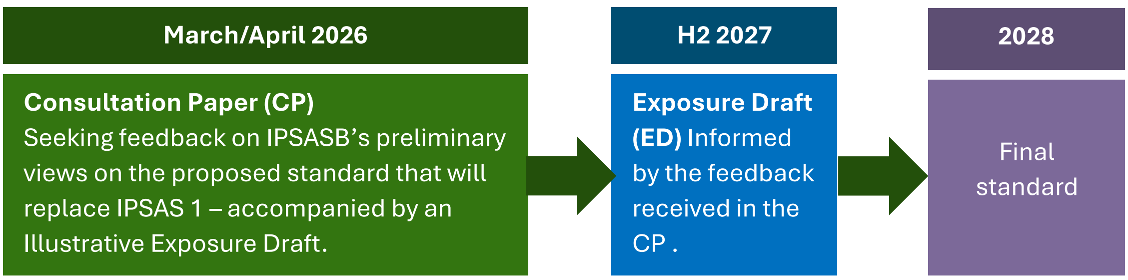
    (a) the importance of how information is presented in general purpose financial statements to supporting improved public finance management; and

    (b) the extent of changes in IASB and IPSASB literature since IPSAS 1 was developed.

8. The IPSASB received strong support from stakeholders (including the XRB) to add a project on Presentation of Financial Statements to its work programme.

9. In 2023, the IPSASB approved the project brief for Presentation of Financial Statements. The project's objective is: "To enhance communication of financial information by replacing IPSAS 1 *Presentation of Financial Statements* – to help public sector entities communicate their financial information better for accountability purposes and to the decision-makers that use this information".

10. The IPSASB plans to consult on this project in two stages, before issuing a final standard:



11. Ultimately, the key proposal of the Presentation of Financial Statements project is to introduce a new presentation and disclosure standard aligned with IFRS 18, with certain modifications for the public sector context. This is demonstrated by the first preliminary view in the draft CP:

    "The IPSASB's Preliminary View is that the development of a new IPSAS Standard to replace IPSAS 1, Presentation of Financial Statements should use IFRS 18 *Presentation and Disclosure in Financial Statements* as its starting base, with appropriate adaptations to reflect the objectives of financial reporting by public sector entities."

12. As noted above, IFRS 18 is a significant new standard issued by the International Accounting Standards Board (IASB) for for-profit entities. The IPSASB's project could have similar significant impacts in the PBE sector. Considering that PBE Standards are primarily based on IPSAS, there is benefit understanding the IPSASB's proposed new requirements, and in seeking to influence the direction of this project from a NZ perspective, with a view that the IPSASB's final standard is beneficial and appropriate for NZ PBEs and the primary users of their financial statements.

13. For these reasons, at this meeting we are providing the Board with information on the IPSASB's proposals ahead of the publication of the CP, discussing their possible implications in NZ and the Board's preliminary views, recommending to comment on the forthcoming CP and seeking the Board's input into the project plan (e.g. what research is needed to inform our comment letter, if the Board agrees to comment).

Reminder: IFRS 18 *Presentation of Financial Statements*

IFRS 18: summary of the key requirements

14. The IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* in April 2024. In May 2024, the NZASB issued NZ IFRS 18 in New Zealand. For-profit entities are required to apply NZ IFRS 18 for periods beginning on or after 1 January 2027.

15. The key changes introduced by IFRS 18 (compared to IAS 1) are summarised below.

Table 1 Key changes introduced by IFRS 18 (and NZ IFRS 18)

Key change	Detail	Rationale for change (per IASB Basis for Conclusions)
New categories and subtotals in the statement of profit or loss	Required **categories** for classifying income and expenses in the statement of profit or loss: • Operating; • Investing; • Financing; • Income taxes; and • Discontinued operations. Two new mandatory **sub-totals**: • Operating profit or loss • Profit or loss before financing and income taxes See Figure 1 below for more information on the categories and subtotals. These new requirements aim to provide a **consistent structure** for the statement of profit or loss, with a view to **improve comparability** between entities.	IAS 1 required an entity to present profit or loss, but no specific subtotals, leading to diversity in the presentation and calculation of subtotals even among entities in the same industry. Entities that applied IAS 1 often presented subtotals using the same label, but which included varying income and expenses. Such diversity made it difficult for users of financial statements to understand and compare information. Comparability is important to users, particularly to buy-side investors, who typically analyse many entities in varied industries.
Enhanced requirements for grouping of information	IFRS 18 sets out the following: • **Specific roles** for the primary financial statements and the notes – with the role of primary financial	The requirements in IAS 1 for the aggregation and disaggregation of information in the primary financial statements and the notes were sometimes not

Key change	Detail	Rationale for change (per IASB Basis for Conclusions)
	statements being to provide a ‘**useful structured summary**’. • Specific requirement to **aggregate** information based on shared characteristics and **disaggregate** based on characteristics that are not shared (where material). • **Restriction on using the label ‘other’** to describe a group of items. • If classifying operating expenses by function, **additional information regarding certain expenses must be disclosed by nature** (e.g. depreciation, impairment losses).	understood or applied well in practice, leading to diversity in application. This diversity in application made it difficult for users of financial statements to find and understand relevant information. Entities sometimes also disclosed large expenses in the notes as ‘other expenses’, with no information provided to help users of financial statements understand their composition.
New disclosures about management-defined performance measures (MPMs)	IFRS 18 introduces new disclosure requirements for MPMs. MPMs are: • **sub-totals of income and expense, other than those specifically required by IFRS Accounting Standards** (and certain subtotals are specifically excluded) – e.g. ‘underlying profit’, ‘profit excluding exceptional items’; • used in **public communications** to users **outside the financial statements**; and • communicate **management’s view** of an **aspect of the entity’s financial performance as a whole**. Specific disclosures on MPMs are required in a single note, including: • Description of the **aspect of financial performance** that is communicated by the MPM – including **why the MPM provides useful information**; • **How the MPM is calculated**; • **Reconciliation** between the **MPM** and the most directly comparable **total or subtotal required by IFRS Accounting Standards.**	Entities often provide their own management-defined measures of performance (sometimes called ‘alternative performance measures’ or ‘non-GAAP measures’). Users of financial statements find some of these measures useful in analysing performance or making forecasts about future performance. However, users of financial statements have expressed concern that information about such measures, including why the measures are used and how they are calculated, can be difficult to find and understand. Entities typically report such measures outside the financial statements, where they are often not subject to assurance.

16. Further information on the categories and subtotals introduced by IFRS 18 (and NZ IFRS 18) is included in the XRB staff guidance *NZ IFRS 18 – Illustration of categories and subtotals in the statement of profit or loss*, which is reproduced on the next page. Further guidance on this and other aspects of NZ IFRS 18 is available on our website.

Figure 1 IFRS 18 categories and subtotals in the statement of profit or loss

NZ IFRS 18 – Illustration of categories and subtotals in the statement of profit or loss

Mandatory from 1 January 2027

XRB Te Kāwai Ārahi Pūrongo Mōwaho EXTERNAL REPORTING BOARD

Category labels are not required to be presented

Category	Description	**Example statement of profit or loss** *(Extract of IASB IFRS 18 Illustrative Example I)*
Operating category (para 52)	Income and expenses that are not classified in other categories. This is the default category. If you have a **specified main business activity** (due to investing in assets or providing financing to customers) then some income and expenses that would have been classified in the investing or financing category would be classified in the operating category (refer to para 49–51). **Refer to IASB Illustrative examples II-2 to II-4 (pages 146–150) for specific illustrative examples of this classification.**	Revenue Cost of sales **Gross profit** Other operating income Selling expenses Research and development costs General and administrative expenses Goodwill impairment loss Other operating expenses
	NEW MANDATORY SUBTOTAL (para 70)	**Operating profit (loss)**
Investing category (para 53–54)	Income and expenses from: - Investments in associates, joint ventures and unconsolidated subsidiaries. - Cash and cash equivalents. - Other assets that generate a return individually and largely independently of the entity's other resources	Share of profit and gains on disposals of associates and joint ventures
	NEW MANDATORY SUBTOTAL (para 71)	**Profit (loss) before financing and income taxes**
Financing category (para 59–61)	Income and expenses relating to liabilities arising from transactions that ***only*** involve the raising of finance and incremental expenses directly attributable to the liability (e.g. transaction costs). Interest income / expenses and income / expenses arising from changes in interest rates for liabilities arising from transactions that ***do not only*** involve the raising of finance *(excluding derivatives, hedging instruments, investment contracts with participatory features and insurance finance income / expenses).*	Interest expenses on borrowings and lease liabilities Interest expenses on pension liabilities and provisions **Profit before income taxes**
Income taxes category (para 67)	Tax expense or tax income that is included in the statement of profit or loss applying NZ IAS 12 *Income Taxes* and related foreign exchange differences.	Income tax expenses
Discontinued Operations category (para 68)	Income and expenses from discontinued operations as required by NZ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.	**Profit from continued operations** Loss from discontinued operations
	EXISTING REQUIRED TOTAL (para 72)	**Total profit (loss)**
	• **Foreign exchange differences** are classified in the same category as the income and expenses from the items giving rise to the differences (unless undue cost or effort is involved, in which case classify in the operating category) – see para B65–B69. • **Gains and losses on derivatives and designated hedging instruments** follow different classification requirements – see para B70–B76.	Profit attributable to: (para 76) - Owners of the parent - Non-controlling interests

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NZ IFRS 18 – what we are hearing in the NZ for-profit sector

17. NZ IFRS 18 is expected to have a significant impact on the preparation of financial statements in the for-profit sector – in terms of changes in presentation of the statement of profit or loss, reconsidering how information is grouped or disaggregated and where it is presented/disclosed, implementing the new MPM disclosures, etc.

18. Consequently, supporting the implementation of NZ IFRS 18 has been a key project on the Accounting Team's work plan since NZ IFRS was issued in 2024. In 2025, Accounting Team staff have spent significant effort on creating educational material about NZ IFRS 18, running webinars and publishing dedicated NZ IFRS 18 newsletters (all available on our website).

19. Staff also held a community of practice roundtable in August 2025, to discuss how NZ stakeholders are thinking about the implementation and impact of NZ IFRS 18. Key messages from that event included an observation that the implementation of NZ IFRS 18 has a 'resource-intensive start', and an emphasis on the need to prepare early for the implementation of the standard – including early engagement with senior leadership, auditors, banks and other users of financial statements – to discuss presentation changes resulting from NZ IFRS 18. These messages confirm the size of the impact of NZ IFRS 18 on for-profit entities.

20. It is worth noting that when the IASB consulted on the ED *General Presentation and Disclosure*, which subsequently became IFRS 18, the NZASB was broadly supportive of the proposals, noting that: "We are of the view that the package of proposals can increase comparability between entities without adversely affecting the ability of individual entities to communicate their story to the users of their financial statements".

IPSASB proposals – Presentation of Financial Statements

21. As noted above, the IPSASB's preliminary view is to develop a new standard on presentation and disclosure in financial statements based on IFRS 18, but with certain modifications for the public sector context. A comparison of the key new requirements introduced by IFRS 18 versus the IPSASB's preliminary proposals – based on the latest available draft versions of the IPSASB CP and Illustrative ED – is included on the next page.

22. The explanations of the reasons for the IPSASB proposals and their expected benefits are based on information in IPSASB papers and/or discussions at IPSASB meetings. We are yet to consider these reasons and expected benefits in detail in the New Zealand PBE context. Our preliminary considerations are included in the next section of this memo (see 'Considerations from a New Zealand perspective').

Table 2 Comparison of key new requirements in NZ IFRS 18 vs IPSASB proposals			
Key aspects of IFRS 18	**Detail – IFRS 18**	**IPSASB proposes to include?**	**Explanation – IPSASB proposals** [based mainly on the draft CP included in the IPSASB Dec 2025 papers]
New categories and subtotals in the statement of profit or loss *[IPSASB: statement of financial performance]*	**New categories** for income and expenses: • Operating; • Investing; • Financing; • Income taxes; and • Discontinued operations.	**Yes** – Same categories to be introduced in the statement of financial performance. Categories defined the same as in IFRS 18. IFRS 18-based requirements for 'specified main business activity' are included. **Additional guidance** for considering classification of public sector-specific items – appropriations, tax revenue, revenue and expenses relating to assets held for operational capacity vs financial capacity.	The IPSASB noted that requiring specific categories and an operating subtotal in the statement of financial performance is beneficial in the public sector, because this would: • Reduce diversity in reporting, improving comparability across similar public sector entities within or across jurisdictions, and help users assess performance against relevant metrics and benchmarks. • Support financial statement users' information needs and effective public financial management – by providing a clearer picture of how an entity manages its resources, executes its roles and conducts its activities in the current and future periods. By doing so, users can more effectively understand, analyse and compare information to hold the entity accountable to achieving its service delivery objectives and effectively serving its constituents with available resources. The IPSASB considered whether to align categories in the statement of financial performance with IFRS 18, or with the Government Finance Statistics Manual (GFSM), or to develop unique public sector categories. The IPSASB considers that that IFRS 18 categories would provide users with useful and relevant information about public sector entities' financial performance, and that this presentation is usable across different public sector entities and is comparable to the private sector. Also, the IPSASB generally aims to align with IFRS Accounting Standards where appropriate.
	New **mandatory sub-totals**: • Operating profit or loss • Profit or loss before financing and income taxes	**Partially:** • Operating surplus or deficit subtotal - **Yes** • Surplus or deficit before financing and income taxes – **No**	The IPSASB is of the view that the subtotal 'surplus or deficit before financing' may communicate a profitability narrative which is not appropriate and not relevant in the public sector. Therefore, the IPSASB does not propose requiring this subtotal. However, if a public sector entity concludes that this subtotal would provide useful information to users, it would still be permitted to present it as an additional subtotal if the relate requirements are met.

Table 2 Comparison of key new requirements in NZ IFRS 18 vs IPSASB proposals

Key aspects of IFRS 18	Detail – IFRS 18	IPSASB proposes to include?	Explanation – IPSASB proposals [based mainly on the draft CP included in the IPSASB Dec 2025 papers]
Enhanced requirements for grouping of information	• Specific roles of primary financial statements and notes. • Aggregation and disaggregation requirements, based on shared characteristics. • Restriction on using the label ‘other’. • If classifying operating expenses by function, additional disclosures by nature are required for certain expenses.	**Yes** – Similar enhanced requirements are proposed. For aggregation and disaggregation, the IPSASB plans to **add** ‘source of revenue’ to the list of possible shared characteristics from IFRS 18.	The enhanced requirements and guidance from IFRS 18 are considered useful in the public sector and consistent with the chapter on presentation of financial statements in the IPSASB Conceptual Framework.
New disclosures about management-defined performance measures (MPMs)	MPMs are: • sub-totals of income and expense – other than those required by IFRS Accounting Standards; • used in public communications to users outside the financial statements; and • communicate management’s view of an aspect of the entity’s financial performance as a whole. New MPM disclosures required in a single note, including: • Aspect of financial performance that, in	**No** – The IPSASB does not propose to incorporate or adapt guidance based on IFRS 18 regarding MPMs into IPSAS. However: The IPSASB plans to include a question in the CP to check with stakeholders whether there are public sector performance measures in their jurisdictions where requirements based on the IFRS 18 MPM requirements would be useful.	The IPSASB noted that in the public sector, common performance measures used in public communications outside the financial statements include: debt-related measures (e.g. net debt), budgetary and statistical information (e.g. GDP, budget variances), non-financial measures (e.g. service delivery targets), and financial measures that are subtotals of only revenue items or only expense items, but typically not of revenue and expenses. The IPSASB noted that the measures above would not meet the IFRS 18 definition of MPM, as they are not subtotals of revenue and expenses. The IPSASB also discussed that if a performances measure is a subtotal of revenue and expenses, but it is required by law, then it would likely not meet the definition of MPM, because it would not be reflecting management’s view. The IPSASB acknowledged that there could be public sector performance measures that meet the IFRS 18 definition of MPM, but this seemed uncommon. The IPSASB also noted that:

Table 2 Comparison of key new requirements in NZ IFRS 18 vs IPSASB proposals			
Key aspects of IFRS 18	**Detail – IFRS 18**	**IPSASB proposes to include?**	**Explanation – IPSASB proposals** [based mainly on the draft CP included in the IPSASB Dec 2025 papers]
	management's view, is communicated by the MPM; • How the MPM is calculated; • Reconciliation between the MPM and the most directly comparable total or subtotal required by IFRS Accounting Standards.		• public sector performance measures tend to focus on service delivery, rather than financial performance; • unlike the IASB, the IPSASB has not heard concerns from stakeholders about the transparency and quality of information about performance measures; and • public sector performance measures tend to be well-understood and jurisdiction-specific. Therefore, the IPSASB is not proposing MPM requirements.

23. Another significant difference between IFRS 18 and the proposed new IPSAS is that the IPSASB proposes to retain its current approach of not including the concept of 'other comprehensive income' (OCI) in IPSAS (but the concept of OCI already exists in New Zealand PBE Standards).

24. Regarding the proposed new categories in the statement of financial performance: The following extract from the IPSASB's draft CP, included in the IPSASB December 2025 meeting papers, illustrates the types of revenue and expenses that the IPSASB envisions would be classified in the new operating, investing and financing categories.

Figure 2 Explanation of categories per draft IPSASB CP (IPSASB December 2025 papers)

Table 1 – Categorization of Revenue and Expenses in Alignment with IFRS 18

Category	**Presents financial statement users information about…**	**Examples of public sector transactions that generate revenues and expenses in this Category**
Operating	Revenues received and expenses incurred in delivering the entity's core public service delivery objectives, including whether the current levels of revenues are sufficient to maintain the volume and quality of services currently provided, to assess its performance of its core service delivery objectives.	All revenue and expenses in the reporting period that are not classified into the other four categories, such as revenues and expenses from: • Operations and activities to achieve service delivery objectives, accounted for using a variety of standards (including but not limited to IPSAS 47, *Revenue* and IPSAS 48, *Transfer Expenses*) • Consumption, depreciation and amortization of assets accounted for under various IPSAS Standards
Investing	Revenues and expenses arising from investments of resources to maintain service delivery over the medium and long term. These investment returns are generated individually and largely independently from the reporting entity's operations.	Revenues and expenses from: • Debt and equity investments under IPSAS 41, *Financial Instruments* • Investments in associates and joint ventures under IPSAS 36, *Investments in Associates and Joint Ventures* • Investment properties accounted for under IPSAS 16, *Investment Property*
Financing	Revenues and expenses from the effects of financing, arising from liabilities from transactions involving only the raising of finance, and other liabilities that do not only involve raising finance.	Revenues and expenses from: • Loans and bonds under IPSAS 41 • Lease liabilities under IPSAS 43, *Leases* • Pension liabilities under IPSAS 39, *Employee Benefits* and IPSAS 49, *Retirement Benefit Plans*

Considerations from a New Zealand perspective

Possible impact of the IPSASB proposals

New categories and subtotals

25. Currently, PBE IPSAS 1 (like IPSAS 1) does not require classifying revenue and expenses into categories in the statement of financial performance. In paragraph 99.1 of PBE IPSAS 1, there is a list of required line items to be presented in the surplus or deficit section of the statement of financial performance, which includes revenue (with certain types of revenue to be presented separately, i.e. interest on financial assets and insurance-related revenue), finance costs, certain other items relating to financial instruments and insurance contracts, share of surplus or deficit from associates and joint ventures that are equity accounted for, total discontinued operations, and tax expenses – and the total surplus or deficit.

26. PBE IPSAS 1 requires the presentation of additional line items (including disaggregation of the line items above) and subtotals in the statement of financial performance, when such presentation is relevant to an understanding of the entity's financial performance. However, additional subtotals must meet certain criteria, including not being displayed more prominently than required totals or subtotals, and being displayed in a manner that makes the line items that constitute the subtotal clear and understandable.

27. Our initial high-level understanding is that in the New Zealand public sector, Tier 1 and Tier 2 PBEs tend to present all revenue items in a single category and all expenses items in a single category, with respective totals (consistently with the presentation in the model financial statements published by Audit New Zealand) – with some PBEs presenting a separate category of 'gains and losses' underneath revenue and expenses, containing items such as gain or loss on sale of property, plant and equipment (PP&E), PP&E impairment losses, etc.

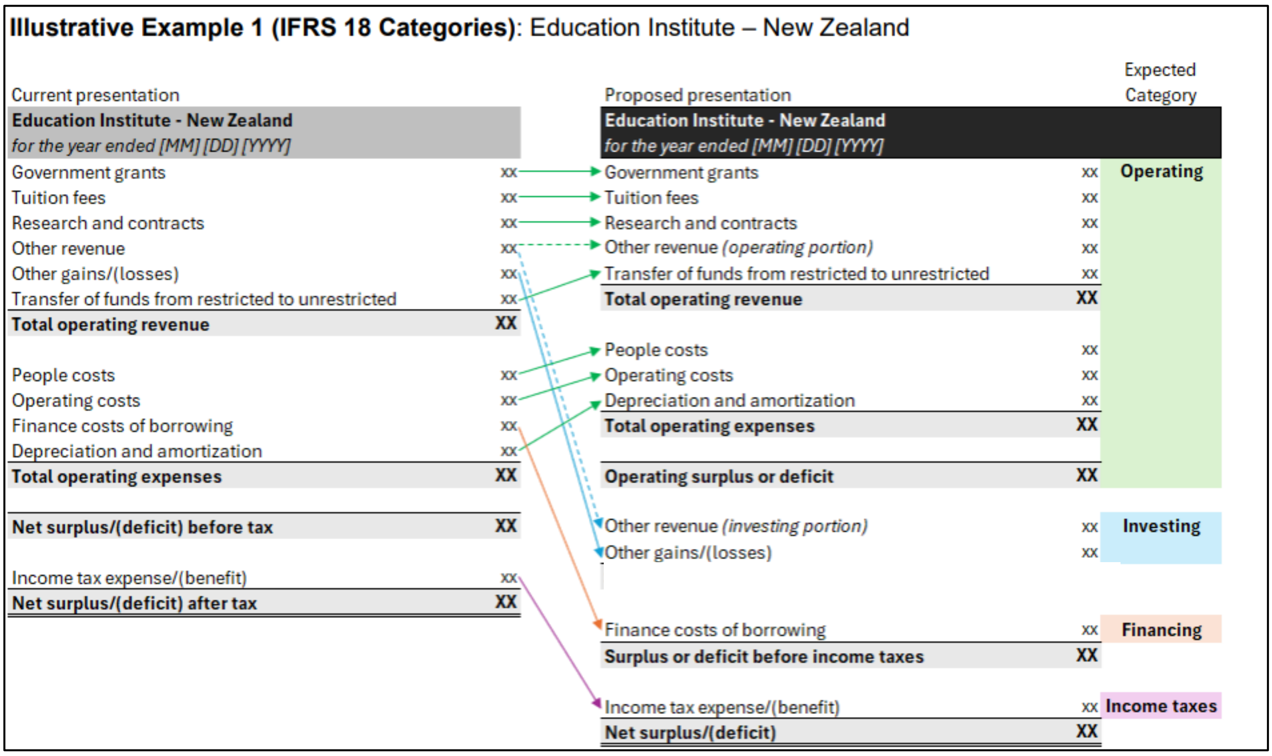
28. The IPSASB's proposed IFRS 18-based presentation requirements would require revenue and expenses in the statement of financial performance to be classified into specified categories and introduce a new required subtotal for operating surplus or deficit. This means that some PBEs may need to:

    (a) Change the location of revenue and expenses items in their statement of financial performance, so that they are presented in the appropriate category; and/or

    (b) Split out individual revenue or expense items if they contain amounts that relate to more than one of the IFRS 18-based categories – the proposed standard would specify that the required items listed in paragraph 99.1 (see above) are required to be split in this way.

29. The abovementioned changes are illustrated in the following extract from an IPSASB March 2025 paper (Agenda Item 11.2.1). The example of current presentation is based on a tertiary education institution in New Zealand, and the expected presentation is based on the IPSASB's proposed IFRS 18-based categories. Please note that we edited the graphic to remove the subtotal of 'surplus or deficit before financing and income tax', because the IPSASB ultimately decided to propose excluding this subtotal.

Figure 3: Potential changes under the new categories (IPSASB March 2025 papers)



30. In the example above, under the IPSASB's proposals based on the IFRS 18 categories, the PBE in the example would need to make the following presentation changes in its statement of financial performance:

    (a) Change the location/ordering of some of its items – e.g. finance costs would need to move down to be presented below the 'operating surplus or deficit' total.

    (b) Split certain items between the new categories – e.g. if the item 'other revenue' contained, say, revenue from event ticket sales and book sales, plus dividend revenue from investments recognised as financial assets, then under the IFRS 18-based requirements the dividend revenue would need to be split out into the 'investing' category, with the rest of the item being included in the 'operating' category (but this would be subject to materiality consideration).

<u>Enhanced requirements for grouping of information</u>

31. The proposed IFRS 18-based IPSASB standard will not change the materiality requirements in PBE IPSAS 1 (but please note that the IPSASB recently updated the definition of 'material' and related guidance in IPSAS 1 as part of its project *Making Materiality Judgements*, and that change is not yet in PBE Standards). Also, PBE IPSAS 1 already includes some requirements relating to aggregation and disaggregation of information. There is a requirement that each material class of similar items should be presented separately, and items of dissimilar nature should be presented separately from each other (subject to materiality). Also, as mentioned above, there is a requirement to disaggregate items that are required to be presented by PBE IPSAS 1 if this is relevant to understanding the entity's financial performance or position.

32. However, the proposed IFRS 18-based IPSASB standard would further enhance the current requirements on the grouping of information in the financial statements, by specifying the roles of the primary financial statements vs the notes, and by adding enhanced requirements on aggregation and disaggregation, with guidance on the characteristics to consider when determining whether to aggregate or disaggregate information.

33. These enhanced requirements could lead to PBEs either further aggregating or further disaggregating line items in their primary financial statements and notes, as they consider the specified roles of the primary financial statements vs the notes and the enhanced requirements on aggregation and disaggregation.

34. The enhanced requirements would also serve as a general opportunity to reconsider presentation and disclosure across the financial statements and notes, with a focus on meeting user needs in terms of accountability and decision making.

Preliminary cost-benefit considerations

35. The table below summarises our preliminary considerations of the costs and benefits of the IPSASB proposals from a New Zealand perspective.

36. The discussion on comparability below is relatively long. This is because comparability was noted by the IASB as a key benefit with respect to the categories and subtotals in the statement of profit or loss – but in our understanding, the nature of the benefit of comparability is somewhat different in the for-profit sector as compared to the PBE sector, particularly the public sector. The discussion on comparability in the table below explains our thinking in that regard.

Table 3 Preliminary cost-benefit considerations

Possible benefits
• **Better understanding of financial performance for users – for accountability purposes:** The proposed categories and subtotal in the statement of financial performance could provide users with useful information on the different components of the entity's financial performance, i.e. how much surplus a PBE generates from its operating activities, versus how much revenue and/or expenses are generated by investments and borrowing. This information can be useful to users for accountability purposes, i.e. holding public sector PBEs to account in terms of their financial performance and efficient use of publicly-funded resources. • **Improved comparability:** ○ *Comparability among PBEs – public sector*: We are not aware of particular concerns regarding the comparability of public sector PBEs' statements of financial performance, but we understand that there are some differences in presentation, e.g. some PBEs present a 'gains and losses' category separately from other revenue and expenses, while others do not. The IPSASB's proposed required categories and subtotal could improve comparability among the financial statements of PBEs, making it easier for users of financial statements to compare the financial performance of PBEs – which could be useful for accountability purposes. We acknowledge that, unlike investors in the for-profit sector, users in the public sector like taxpayers and ratepayers would generally not compare the financial statements of different public sector PBEs for the purpose of deciding whether to provide funds to the PBE, as paying taxes and rates is mandatory. However, we consider that comparability among PBE financial statements can still be beneficial for such users, from an accountability perspective. ○ *Comparability among PBEs – NFP sector*: If the IPSASB's proposals are introduce for NFP PBEs in New Zealand, funders (users of NFP financial statements) may find the enhanced comparability brought by the IPSASB's proposed categories and subtotal for revenue and expenses to be useful, when deciding which NFPs to provide funds to. ○ *Comparability of PBEs with for-profit entities:* The IPSASB's proposed new categories and subtotal in the statement of financial performance would increase comparability between the financial statements of PBEs and those of for-profit entities. For those PBEs that issue debt to the public (e.g. some councils) and their investors (users), the benefits of this comparability would be similar to those noted by the IASB in issuing IFRS 18. Users that invest in PBEs' debt instruments would be able to better compare PBEs' financial statements to those of for-profit issuers, which may improve access to, and lower the cost of, debt capital for these PBEs. • **Alignment with latest international thinking:** The IPSASB's proposals are based on IFRS 18, which represents the latest international thinking on presentation and disclosure in the financial statements – with modifications for the public sector context. • **Mixed groups:** Aligning presentation requirements between for-profit entities and PBEs would likely reduce administration costs for mixed groups and enhance consistency in user communications.

Possible costs/challenges
• **Not aware of concerns with current presentation:** We are not aware of current concerns with the way PBEs present their primary financial statements, and unlike the IASB, we have not heard concerns about lack of comparability between PBE financial statements due to diversity in revenue and expense subtotals. This could make it challenging to justify the IPSASB's proposed changes to presentation requirements.

Possible costs/challenges
• **Possible costs for PBEs:** The proposed changes in presentation requirements could mean potential additional costs for PBEs for changing financial statements preparation processes. Judgement could be required for determining the classification of revenue and expenses under the new categories, and some of the specific IFRS 18-based requirements (e.g. around classifying foreign exchange gains and losses) could be challenging to apply, which could also add to costs. • **Users will need to adapt:** Potential one-off costs for users, as they would have to spend additional time to familiarise themselves with the new presentation. **Risk of insufficient PBE-specific guidance:** • Since IFRS 18 is developed for the for-profit sector, if there is insufficient guidance for the public sector context (and for NFPs, if and when the proposals are included in PBE Standards), there could be application challenges and diversity in practice, or a risk that information produced might not be useful in the PBE context.

37. We are interested in the Board's preliminary views on the expected impacts on presentation of PBEs' financial statements from the IPSASB's forthcoming proposals, whether this presentation works in the PBE space, the possible benefits and costs of the proposals, and a preliminary indication as to whether the benefits are expected to outweigh the costs. This will help inform the development of our comment letter on the IPSASB CP if the Board agrees to comment – otherwise, it would help inform the eventual application of the PBE Policy Approach if and when the new IPSAS is issued.

38. If the Board agrees to comment on the forthcoming IPSASB CP, we will explore the abovementioned questions with New Zealand stakeholders in the PBE space – focusing on the public sector in the first instance (as this is an IPSASB consultation). We would also explore further the impact of the proposals on New Zealand PBEs, including the benefits and costs of the proposals – as well as internation with other primary legislative disclosure requirements.

Other considerations: MPMs

39. As explained above, the IPSASB's preliminary view is not to introduce the IFRS 18 MPM requirements, or an adapted public sector version of these requirements, into IPSAS. The IPSASB's rationale for this is explained above.

40. There is a question as to whether MPM disclosure requirements, potentially with adaptation for the PBE context, could be useful for providing better information and increased transparency around 'non-GAAP' performance measures that are communicated by PBEs outside of financial statements.

41. To answer this question, it would be necessary for us to explore whether New Zealand PBEs use non-GAAP measures that may meet the definition of MPM per IFRS 18 in public communications. For example, the fiscal indicator 'OBEGALx' (operating balance before gains and losses excluding Accident Compensation Corporation), which is used by the New Zealand Government in public communications outside the financial statements, may arguably have MPM-like features. It would also be useful to explore what other non-GAAP measures are used by New Zealand PBEs, and whether for those measures it would be useful to have requirements in accounting standards that are similar to the IFRS 18 MPM requirements, i.e. an explanation of the measure, how it is calculated and how it reconciles to totals/subtotals required by PBE Standards.

42. If the Board agrees to comment on the forthcoming IPSASB consultation, we would need to consider the questions above regarding MPMs.

Questions for the Board

Q1. What are the Board's preliminary views on the IFRS 18-based proposals in the forthcoming IPSASB CP *Presentation of Financial Statements* – including:

(a) The proposed new required categories and subtotals in the statement of financial performance;

(b) The proposed enhanced guidance on grouping financial information?

Q2. What are the Board's preliminary views on the exclusion of MPM requirements from the proposed new IPSAS on Presentation and Disclosure?

Q3. Does the Board have any other preliminary feedback on the IPSASB's forthcoming proposals?

Preliminary decision on whether to comment

43. We recommend commenting on the forthcoming IPSASB CP *Presentation of Financial Statements*, for the following reasons:

(a) The IPSASB's proposed new standard is aligned with many aspects of IFRS 18. IFRS 18 is a significant new for-profit standard that is expected to impact the structure of financial statements the thinking around presenting information in a way that is useful to primary users. The IPSASB's project could have similar significant impacts in the PBE sector. Considering this, as well as the fact that PBE Standards are primarily based on IPSAS, seeking to influence the direction of this project from a NZ perspective seems desirable. Influencing the direction of this project so that the resulting IPSAS is as fit-for-purpose in New Zealand would mean that the potentially significant impacts of the new requirements are accompanied by appropriate outcomes and that the benefits ultimately exceed the costs of implementing the new requirements.

(b) The forthcoming CP (and accompanying Illustrative ED) is only the first stage of the IPSASB's consultation, with the IPSASB expecting to consult on an ED in 2027. If the NZASB does not comment on the CP, there would be an opportunity to comment on the later IPSASB ED. However, we consider that commenting to the IPSASB at the early CP stage would be beneficial, as it could give the NZASB greater opportunity to influence the direction and outcomes of the project. After commenting on the CP, at the ED stage that follows, the NZASB will be able to re-emphasise its views expressed on the CP and help the IPSASB fine-tune the proposals.

44. In addition to discussing the impact of the proposed changes and the expected benefits and costs with stakeholders, to inform an effective comment letter we would also need to explore the following topics in more detail:

(a) The extent to which PBEs use MPM-like and other non-GAAP measures outside the financial statements, and whether requirements based on the IFRS 18 MPM requirements would be useful for such measures.

(b) How NFP PBEs typically present revenue and expenses in the primary financial statements, the impact of the IPSASB proposals on NFP PBEs and other NFP considerations (while the IPSASB focuses on the public sector, presentation requirements that work for both the public and NFP sectors would be beneficial for New Zealand).

Questions for the Board

Q4. In the Board's preliminary view, does the Board agree to comment on the forthcoming IPSASB CP *Presentation of Financial Statements*?

Q5. In addition to the topics for further exploration identified above, what other topics should we explore further to inform an effective comment letter?

Next steps

45. If the Board preliminarily agrees to comment on the forthcoming IPSASB CP, we will start exploring the areas mentioned above, planning outreach with public sector stakeholders and planning our comment letter.

46. The IPSASB expects to approve the forthcoming CP at its March 2026 meeting, with the CP to be issued in March or April 2026. Whether the Board agrees to comment or not, we will publish the CP for comment on our website, as per our standard process for IPSASB consultation.

47. Once the IPSASB CP is issued, we will confirm with the Board the decision on whether to comment on the CP.

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Memorandum

To:	NZASB members
Meeting date:	12 February 2026
Subject:	**Tier 3 FAQs and guidance**
Date:	30 January 2026
Prepared by:	Alex Stainer
Through:	Nimash Bhikha, Michelle Lombaard

☒ **Action Required** ☐ **For Information Purposes Only**

Purpose

1. The purpose of this memo is to outline how we have addressed the Board's feedback on the Tier 3 FAQs and guidance in December 2025 and ask the Board whether there are any final comments on the proposed Tier 3 FAQs and guidance prior to publication.

Recommendations

2. The Board is asked to:

   (a) **NOTE** the updated Tier 3 FAQs and guidance and the revisions made in response to Board feedback; and

   (b) **PROVIDE FEEDBACK** on any final comments prior to publication.

Background

3. In December 2025, the Board was asked to provide feedback on staff developed Tier 3 FAQs and guidance. The Board's comments have been helpful in refining this guidance.

4. This guidance was produced in response to recurring queries on the application of the new Tier 3 NFP Standard (mandatory for periods beginning on or after 1 April 2024) and to support the first-time adoption of the Tier 3 NFP Standard by incorporated societies.

Revisions made

5. Due to changes in XRB document styles, the guidance for incorporated societies (as opposed to the FAQs) has been transferred into new templates. The content of these documents remains largely similar, and any updates made are outlined in the below sections.

Frequently Asked Questions

6. The table below summarises the feedback received on the FAQs presented to the Board in December, along with any specific points for attention.

FAQs	Feedback received	Points for noting
1. What if I cannot find guidance on a specific type of transaction or event in the Tier 3 NFP Standard?	• No feedback received	No updates made
2. Are PayPal, Stripe, Portfolio or Brokerage cash accounts and other similar items treated as 'cash and short-term deposits' under the Tier 3 NFP Standard?	• Simplify approach • Change phrasing to confirm they can generally be treated as cash upfront • Note that judgement will need to be applied • Revise wording that describes affect on Statement of Cash Flows	Feedback has been incorporated into the updated version.
3. We are an incorporated society, how do we classify our revenue based on the Tier 3 NFP Standard?	• The section about commercial, fundraising and service delivery needed better framing and tighter examples • Outline what commercial and fundraising revenue looks like for societies • Clarify that consistency is important when classifying revenue (noting we do not want to turn classifying revenue into an area of concern)	Feedback has been incorporated into the updated version. We have reframed the section for commercial and fundraising revenue to instead reflect that there might be cases where classifying to service delivery may be more appropriate. We have also included a table that outlines the key features of each including tighter examples.
4. What do I need to think about when considering depreciation?	• Define depreciation upfront • Concern with articulation of tax and accounting depreciation rates • Narrow the FAQ to depreciation on land and buildings instead.	Included a definition of depreciation based on the definition contained within the Tier 3 Standard. Removed surplus FAQs, and instead focused on depreciation for land and buildings. However, as the example of the IRD rate on buildings is highly relevant – we have decided to include some context around accounting and tax depreciation rates to frame that particular example. Accordingly, we have acknowledged that calculating depreciation on an asset's expected useful life may in some cases align with IRD tax depreciation rates but also in some cases may not.

FAQs	Feedback received	Points for noting
5. What do I need to think about when I look to adopt the Tier 3 NFP Standard for the first time?	• Include a simple description and example of principal and agent	Feedback has been incorporated into the updated version.

Guidance for incorporated societies

7. The table below provides a summary of the feedback received on the guidance presented to the Board in December, along with any specific points for attention.

Guidance document	Feedback received	Points for noting
1. Overview of the Tier 3 Standard	• Comparison of requirements – note that performance report provides useful information and greater accountability • Accrual accounting – note that if you have payments of $140,000 or less you can apply Tier 4 which is on a cash basis • Explain 'significant' in the correction of errors • Service performance – we are interpreting too far with the information that could be used to outline service performance. Having a list means it can become a checklist for some entities,. We should include reference to qualitative factors	Feedback has been incorporated into the updated version (pages 4 to 6). We have also made other minor editorial mark-ups.
2. Transition requirements	• No feedback received	We have included a visual timeline that outlines an example of the interplay in timing between reregistration, financial year end, and the transition dates under the special and general transitional provisions (page 5). We have also made other minor editorial mark-ups.
3. Things to watch out for	• Add in an explanation and example of what a principal and agent is	Feedback has been incorporated into the updated version (page 3).
4. Assets and liabilities guide	• Suggested to add in an example of depreciation, and	Feedback has been incorporated into the updated version – noting that we

Guidance document	Feedback received	Points for noting
	how if you change rate on adoption of the Standard what this may look like • In the depreciation section define 'go forward basis'	have included the suggested example and removed the term 'go forward basis' (page 3). We have also made other minor editorial mark-ups.
5. Revenue and expenses guide	• No feedback received. However, we have reflected on the Board's comments with respect to the Revenue FAQ	We have made minor editorial mark-ups to align the framing of fundraising, commercial and service delivery revenue more closely with the style of FAQ 2 (page 2 and 3).

Question for the Board

Q1. Does the Board have any FEEDBACK on the updated Tier 3 FAQs and guidance and the revisions made?

Next steps

8. Once we consider and respond to the Board's final comments on these FAQs and Tier 3 guidance, we will proceed with publishing the FAQs and separate guidance documents on our website.

9. We plan to advise our stakeholders of these updated resources via accounting alerts, as well as working with other organisations (such as Charities Services) to help distribute this guidance.

Attachments

- Additional Tier 3 FAQs
- Incorporated societies first time adoption guidance:
  - Overview of the Tier 3 Standard
  - Watch out for…
  - Transition guide
  - Assets and liabilities guide
  - Revenue and expenses guide

FAQs – Tier 3 NFP Standard

1. What if I cannot find guidance on a specific type of transaction or event in the Tier 3 NFP Standard?

If the Tier 3 Standard does not provide specific guidance for a transaction or event, you can follow the decision-making hierarchy outlined in paragraph 8 of the Tier 3 NFP Standard.

You will need to use your judgement and refer to the following sources, in this order:

1. **Guidance on similar transactions within the Tier 3 NFP Standard** – Look for how the Standard handles similar or related transactions.
2. **Tier 2 PBE Standards** – Check if Tier 2 PBE Standards offer guidance for the same or similar transactions.
3. **PBE Conceptual Framework** – Use definitions and concepts from the PBE Conceptual Framework, as long as they don't conflict with Tier 3 NFP Standard.

2. Are PayPal, Stripe, Portfolio or Brokerage cash accounts and other similar items treated as 'cash and short-term deposits' under the Tier 3 NFP Standard?

These items can generally be treated as 'cash and short-term deposits' under the Tier 3 NFP Standard. However, it is important to use your judgement to determine whether this treatment is appropriate for your organisation. We suggest using the guidance on similar transactions in the Standard to help make your assessment.

Accordingly, you may assess whether these items are 'cash and short-term deposits' based on their features, and whether these features are similar to the items that are explicitly included in 'cash and short-term deposits' in the Standard (paragraph A109 says that 'cash and short-term deposits includes petty cash, cheque or savings accounts, and deposits held at call or with a maturity of three months or less from the date of commencement).

Consider whether the account:

- Is used to facilitate transactions, like a bank account
- Can be used on demand to make cash payments
- Has no specified maturity date, i.e. the money can be transferred to the entity's bank account on demand
- Is not held as an investment (i.e. the account is held to facilitate transactions, rather to generate a return on the account itself)

While the classification in the Statement of Financial Position might seem minor, it can affect the Statement of Cash Flows. If the account is not reflected as 'cash and short-term deposits' any movements in the account will not be reflected as a cash movement in the Statement of Cash Flows. For example, if you have paid invoices out of this account, the

Statement of Cash Flows would not reflect this movement as a cash payment for the associated expense/purchase of assets. This may affect the usefulness and understandability of your performance report.

3. We are an incorporated society, how do we classify our revenue based on the Tier 3 NFP Standard?

When preparing your Statement of Financial Performance your society must classify revenue using the categories outlined in the Tier 3 NFP Standard.

- **Revenue categories – See Paragraph A60 in the Tier 3 NFP Standard**

Key rules for revenue classification

- **Do not combine or split categories in the Statement of Financial Performance**. If needed, you can provide more detail in the notes to the performance report.
- **Names of the categories can be changed**, provided that the separate categories are still maintained.
- **Some judgement may be required** in selecting the appropriate categories and in deciding whether to rename them.

If you are unsure which category applies, aim for the most appropriate option rather than a precise match. Some revenue generating activities may reflect features of multiple categories outlined in the Tier 3 NFP Standard. Use your best judgement and apply the classification consistently from year to year. You can always provide further information in the notes to the performance report to explain your judgements.

This situation may arise for societies where revenue does not neatly fit into either the fundraising or commercial revenue categories. In these cases, it may also be appropriate to consider whether the revenue could be categorised in the service delivery category. To help you apply judgement, we have noted key features of the commercial, fundraising and service delivery revenue categories in the table below:

Category	May cover	Key Features	Examples
Donations, koha, bequests and other general fundraising activities	One-off or discrete events to raise funds for day-to-day operations	• Not ongoing • Primary goal is fundraising • No intention to operate commercially	• One-off tournaments or competitions • Food/drink stalls at events
Revenue from commercial activities	Ongoing activities aimed at generating a surplus	• Ongoing • Run at commercial rates	• Professional coaching for the public at commercial rates • Café/bar operated commercially

Category	May cover	Key Features	Examples
		• Typically does not directly achieve society's purpose	• Selling kit or clothing at commercial prices
Non-government service delivery grants/contracts	Activities that directly contribute to achieving the society's purpose – reflects what the society exists to do	• Aligns with society's purpose • Separate from membership fees • Not primarily fundraising or commercial	• Regular series of competitions/events aligned with purpose • Operating café/bar as core purpose of society • Special member events aligned with purpose

4. What do I need to think about when considering depreciation?

Depreciation is an expense recorded in the Statement of Financial Performance. It is defined in the Tier 3 Standard as the allocation of an asset's cost over its useful life using a method such as straight-line or diminishing value. For your performance report, you will need to determine an appropriate depreciation rate based on the asset's expected useful life for your organisation.

In some cases, depreciation based on the expected useful life of an asset may align with the relevant IRD tax depreciation rate, but there could also be instances where they do not.

Do land and buildings depreciate?

Land should not be depreciated under the Tier 3 NFP Standard (see Table 3, Paragraph A121 of the Tier 3 NFP Standard), while buildings should be depreciated under the Tier 3 NFP Standard.

For example, if the IRD tax depreciation rate is zero for buildings, this depreciation rate is not considered appropriate for accounting purposes because buildings generally have a finite useful life and as such its cost can be spread over that finite life.

5. What do I need to think about when I look to adopt the Tier 3 NFP Standard for the first time?

The Tier 3 NFP Standard is an accrual-based standard. It requires you to record transactions as they occur, not necessarily when money comes in/out of your bank account. This will mean recording items such as debtors (accounts receivable), creditors (accounts payable) and other non-cash items like depreciation.

You will need to prepare the following components:

- Entity information
- Statement of Service Performance
- Statement of Financial Performance
- Statement of Financial Position
- Statement of Cash Flows
- Statement of Accounting Policies
- Notes to the Performance Report

In addition, there are general format and presentation requirements.

For instance, there are prescribed categories for revenue, expenses, assets, liabilities, cash receipts and cash payments – where you must present your items in line with the categories of the Standard in each of the respective Statements.

How do we transition to the Tier 3 NFP Standard?

If you are applying the Tier 3 NFP Standard for the first time, it is important to understand the transition requirements. These requirements set out the options for when the Tier 3 NFP Standard is applied from (i.e. whether to apply it to both the current year and previous year or just to the current year).

Where to Start

Refer to Appendix C of the Tier 3 NFP Standard for full transition requirements.

Two Transition Approaches

You can typically choose between two main approaches when preparing your **first set of financial statements** under the Tier 3 NFP Standard:

1. General Provisions (Paragraphs C3–C6)

- Apply the Tier 3 NFP Standard to **both the current and prior year**.
- Comparative information is included.
- This approach provides consistency across years.

2. Special Provisions (Paragraphs C7–C10)

- Apply the Tier 3 Standard to the **current year only**.
- No comparative information is required (unless you are transitioning from Tier 2 PBE Standards – see paragraph C9).).
- You must attach your **previous year's financial statements and accounting policies** (unless you are transitioning from Tier 2 PBE Standards – see paragraph C9).
- This approach can simplify first-time application

Choosing the Right Approach

Your choice may depend on your organisation's specific circumstances and the preferences of the readers of your performance report.

Is there anything we should watch out for?

Interests in other entities

When applying the Tier 3 NFP Standard, you are required to identify your organisation's interests in other entities (i.e. whether your organisation controls, jointly controls or has significant influence over other entities) and assess whether any of those interests result in you needing to consolidate controlled entities or account for an investment in an associate or a joint arrangement.

If you have these interests, you will need to use the relevant Tier 2 PBE Standards.

- ***Consolidation (where you control other entities) –*** Consolidation is the process of combining financial information across all entities within a group to present a single set of financial statements. Your society will be required to consolidate if it 'controls' any other entities. Refer to the applicable Tier 2 accounting standard (PBE IPSAS 35).

- ***Joint arrangements –*** A joint arrangement is an arrangement of which two or more parties have "joint control". Refer to the applicable Tier 2 accounting standard (PBE IPSAS 37).

- ***Investments in Associates –*** An associate is an entity you have significant influence over by way of your investment. Refer to the applicable Tier 2 accounting standard (PBE IPSAS 36).

For further information on joint arrangements, investments in associates and consolidation, we recommend viewing **Explanatory Guide A8** and **Explanatory Guide A9**.

Principal vs Agent transactions

If your society collects revenue and incurs expenses on behalf of another party, you must consider whether you are acting as the principal or as an agent in the transaction.

- The **principal** is the organisation that is responsible for providing or purchasing the goods or services. They own the product or service and take the main risk in fulfilling the agreement with the other party in the transaction.

- The **agent** is the organisation that helps arrange the sale or purchase of the goods or services on behalf of the principal. They don't own the goods or services and usually earn a fee or commission for helping.

Example:
If a sports club sells uniforms:

- If the club buys the uniforms and sells them, they would be considered the principal.

- If the club takes orders for uniforms and passes the order on to a supplier to provide, earning a small fee, they would be considered the agent for the supplier.

If you are acting as an agent, you should not record the amounts collected or paid on behalf of another party in your Statement of Financial Performance or Cash Flows.

- Any amount collected on behalf of another party and not yet returned to the other party should be recorded in the Statement of Financial Position as a payable.
- If you earn a margin while acting as an agent, the margin earned should be recorded as a single item in revenue.
- The same approach should be taken in the Statement of Cash Flows.

For further information, see sections Paragraphs A101-104 in section 5, paragraphs A58 and A88 in Section 4 and Paragraph A230 in section 9 of the Tier 3 NFP Standard.

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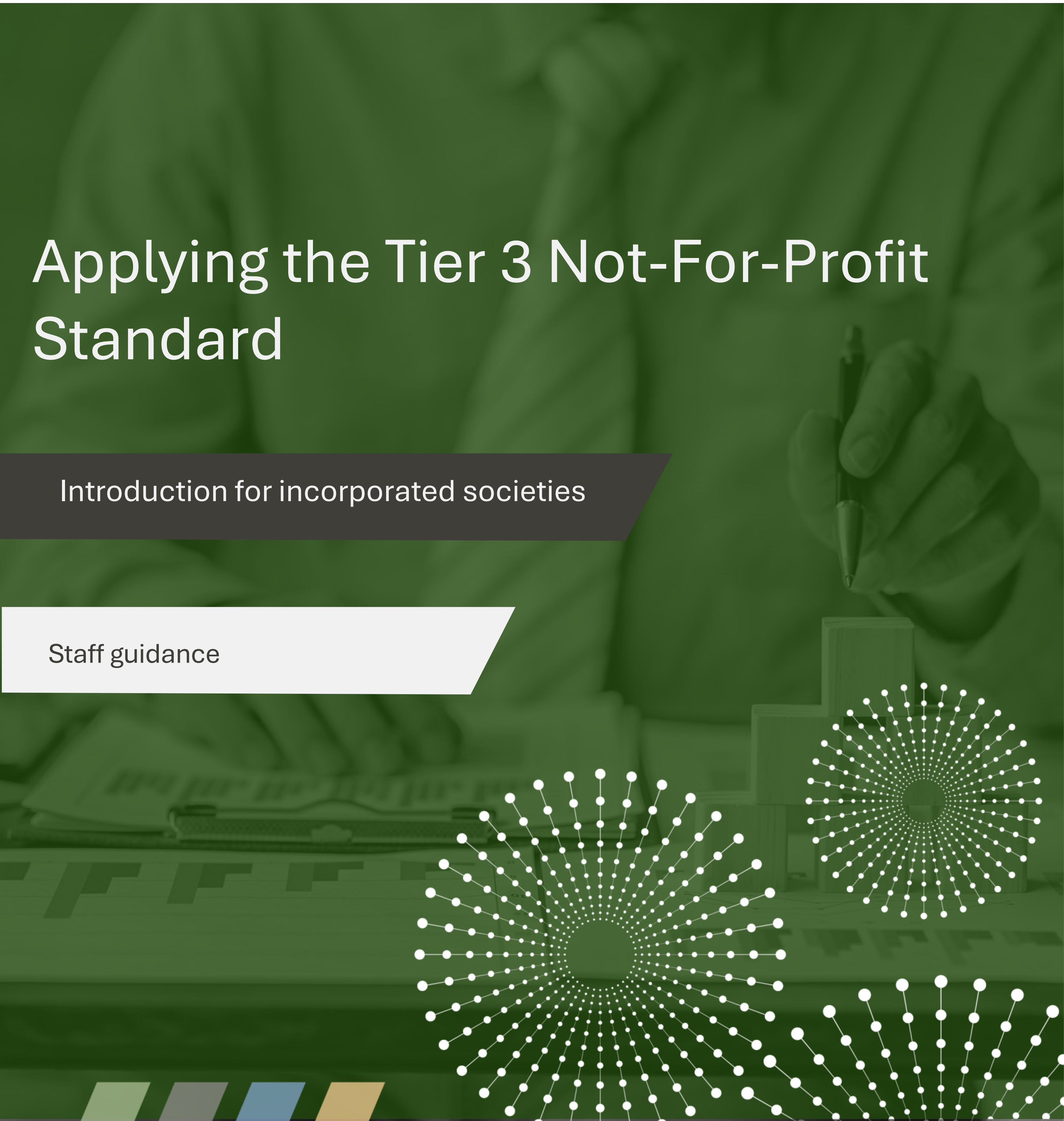
EXTERNAL REPORTING BOARD



Applying the Tier 3 Not-For-Profit Standard

Introduction for incorporated societies

Staff guidance

February 2026

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Introducing the Tier 3 Not-For-Profit Accounting Standard

With the introduction of the new Incorporated Societies Act 2022 (the new Act), incorporated societies that do not meet the 'small society' criteria, must apply Accounting Standards issued by the External Reporting Board (XRB). These requirements will take effect once a society has reregistered under the new Act.

If a society wishes to remain incorporated, it must reregister under the new Act by **5 April 2026**.

Who are the External Reporting Board (XRB)?

The XRB is an independent crown entity that is responsible for developing and issuing reporting standards on accounting, audit and assurance, and climate for entities across the private, public, and not-for-profit sectors. Our work ensures that New Zealand organisations follow consistent and transparent reporting practices, providing accurate and reliable financial information to stakeholders.

The XRB has developed Accounting Standards specifically for not-for-profit entities to provide useful financial information to interested stakeholders in a cost-effective manner.

The Tier 3 Not-For-Profit Accounting Standard

The Tier 3 Not-For-Profit (NFP) Accounting Standard (Tier 3 NFP Standard) is for small to mid-sized organisations. It is a single NZ financial reporting standard – all requirements are contained in one document. It is accrual based (meaning transactions are recorded as they occur rather than when money is paid/received) and is considered generally accepted accounting practice.

If you are eligible to apply the Tier 4 Not-For-Profit Accounting Standard or meet the 'small society' criteria set in the new Act, you can still voluntarily elect to apply the Tier 3 NFP Standard. This may be the right choice for you, if you have already been preparing financial statements on an accrual basis.

Note: All links in this document are to the XRB Standard Navigator and provide a simple way to access the Tier 3 NFP Standard.

What changes when applying the Tier 3 NFP Standard?

In the table below we outline the components of a performance report (Under the Tier 3 NFP Standard, it is called a performance report rather than financial statements). Some of these elements were not required under the old Incorporated Societies Act (the 1908 Act) and including these components provides valuable information and enhances accountability for readers of the performance report.

For each of the components of the performance report, the Tier 3 NFP Standard contains guidance on how you are expected to complete them.

Tier 3 NFP Standard Performance Report	Requirements of S23(1) of the 1908 Act
Entity Information	No equivalent requirement
Statement of Service Performance	No equivalent requirement
Statement of Financial Performance	Income and expenditure
Statement of Financial Position	Assets and liabilities
Statement of Cash Flows	No equivalent requirement
Statement of Accounting Policies	No equivalent requirement
Notes to the Performance Report	Information on mortgages, charges and security interests over property

Other key changes

Format and Presentation Requirements

There are general format and presentation requirements for each Statement. Specific categories are required to be used, and the composition of these categories cannot be changed. However, the names of these categories may be altered, and any further information can be provided in the Notes to the Performance Report.

Prescribed accounting policies

Under the Tier 3 NFP Standard, revenue, expenses, assets and liabilities are recorded when transactions occur. Accordingly, the Tier 3 NFP Standard includes accounting policies that must be used to determine when and how you record these items.

Disclosures in the Notes to the Performance Report

The Tier 3 NFP Standard specifies a range of disclosures that should be included in the Notes to the Performance Report, as applicable to your society.

Key concepts and terms

Accrual accounting (not cash accounting)

The Tier 3 NFP Standard is based on recording transactions on an accrual accounting basis; where revenue, expenses, assets or liabilities are recorded when a transaction occurs, regardless of when the cash payment is received or made.

If you were previously only recording transactions in the financial statements based on bank transactions (a cash basis[1]), you will need to consider, at financial year-end, whether any additional transactions need to be captured.

For instance:

- Receivables (amounts owed to you);
- Payables (amounts owed by you);
- Non-cash accounting impacts (like depreciation of assets); or
- Other accrual accounting entries (such as adjusting revenue and expenses for revenue received in advance of spending next year, or prepayment of expenses).

Significant (Paragraphs A6-A9)

The Tier 3 NFP Standard frequently refers to 'significant'. An item is significant if recording and/or disclosure of the item, whether financial or non-financial, could influence a user's understanding of the entity's overall performance. If a disclosure is not significant, then it is not generally required.

You should keep this principle in mind and look to ensure the performance report only includes significant information, rather than an excessive amount of unhelpful detailed information.

Other requirements of the Tier 3 NFP Standard (Paragraphs A4-A36)

- Comparative/prior year information should be provided.
- Consistency of presentation – accounting policies should be selected and applied consistently. Information should be presented consistently across years.
- No amounts should be offset or netted against each other – except for valuation adjustments such as write downs of inventory, or property, plant and equipment, and GST owed/owing with Inland Revenue.
- Correction of errors – significant errors should be corrected as soon as practicable. These are errors that could influence a user's understanding of overall performance.

[1] If your society has operating payments of less than $140,000 in either of your last two financial years, you can apply the Tier 4 Standard which is cash based standard.

Statement of Service Performance

The Statement of Service Performance requires societies to include information about:

- **what your society is seeking to achieve over the medium- and long-term; and**
- **progress towards its objectives during the financial year.**

To display progress towards your medium- and long-term objectives, you should include a meaningful mix of measures that enable your members to evaluate the society's activities throughout the financial year.

These measures should align to your society's overall purpose and could be numerical (quantitative) or could be descriptive (qualitative) and it is often useful to have a mix of both.

Reporting your activities in previous years may also be needed to show your progress in a meaningful way – you should be as consistent as possible in what you are reporting year on year. See Section 4 of the Standard for further detail.

An example for a Sports Club

A Sports Club may have a purpose to promote and support participation in a sport. They may have medium- to long-term objectives, that broadly include increasing youth participation, increasing engagement with the community and improving facilities.

During the year, and in pursuit of its objectives, the club hosted workshops at several local schools, held several community 'have a go' days, more widely advertised registration, and purchased some new equipment to replace aging items.

The club would show progress on these objectives by providing measures that show the impact of these activities undertaken during the year and trends over time:

- *Increasing youth participation* – by comparing the current year number of youth teams to previous years' numbers and to planned targets.
- *Increasing engagement with the community* – by showing year on year increasing amounts of events and turn out at events held for the community.
- *Improved facilities* – by outlining the purchase of new equipment in line with an overall plan to improve facilities.

For information on Assets & Liabilities and Revenue & Expenses, please refer to XRB's other guides on the next page

Other resources

The XRB has several resources to help you as you begin to report under the Tier 3 NFP Standard. These include:

- Tier 3 Not-For-Profit (NFP) Accounting Standard

  Sets out the full accounting requirements that Tier 3 NFP organisations must follow when preparing financial statements/performance reports

- Reporting Template for Tier 3 (NFP) Entities

  Formatted and user-friendly template to help Tier 3 organisations prepare compliant performance reports

- What's changed in the new Tier 3 (NFP) Standard? – Explanatory Guide

  Summarises the key updates to the revised Tier 3 Standard, and explains how these changes will impact your reporting

- Financial Reporting by Not-for-profit Entities: The Reporting Entity – Explanatory Guide

  Helps you determine the 'boundary' of an organisation for reporting purposes (e.g. whether branches or other entities must be consolidated)

- Financial Reporting by Not-for-profit Entities: Identifying Relationships for Financial Reporting Purposes – Explanatory Guide

  Helps you identify relationships with other entities that must be reported (such as joint arrangements or investments in associates)

- Tier 3 NFP Revenue & Expenses Guide

  Outlines key rules when recording revenue and expenses, and highlights a common scenario for incorporated societies

- Tier 3 NFP Assets & Liabilities Guide

  Provides practical guidance on accounting for common asset and liability types under the Tier 3 Standard

- Tier 3 NFP Transition Guide

  Supports organisations transitioning to the Tier 3 Standard, outlining practical steps and transitional requirements

- Tier 3 NFP Watch Out For...

  Highlights a couple of common areas where more complex requirements may apply (accounting for interests in other entities, and accounting for transactions when you are acting as an agent for another organisation)

You can find more information and all of our resources on our Incorporated Societies webpage

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EXTERNAL REPORTING BOARD

At a glance

Incorporated Societies

Applying the Tier 3 Not-for-Profit (NFP) Standard

Watch out for...

February 2026

Disclaimer
This guidance has been prepared by staff of the External Reporting Board (XRB). It does not form part of any Standard or authoritative publications issued by the XRB. It should not be used as a substitute for reading the Tier 3 (NFP) Standard, nor is it a substitute for professional accounting advice.

Applying the Tier 3 NFP Standard: Watch out for...

When applying the Tier 3 Not-For-Profit (NFP) Accounting Standard, you may encounter situations where more complex requirements apply. Where the Tier 3 Standard does not provide guidance on accounting for a specific type of transaction or event, you may need to refer to the requirements or guidance in the Tier 2 Standards. Common examples of more complex requirements include accounting for interests in other entities or accounting for transactions where you are acting as an agent for another entity, and these topics are explained in the sections that follow.

To view other common questions or areas to watch out for when applying the Tier 3 Standard, we recommend accessing our FAQ webpage.

Watch out for these requirements when applying the Tier 3 Standard

Accounting for interests in other entities

When applying the Tier 3 Standard, you are required to identify your interests (control and ownership rights) in other entities and assess whether any of those interests result in you needing to consolidate or account for an investment in an associate or a joint arrangement.

If you have these interests, you will need to use the relevant Tier 2 Standards.

- ***Consolidation (where you control other entities) –*** Consolidation is the process of combining financial information across all entities within a group to present a single set of financial statements. Your society will be required to consolidate if it 'controls' any other entities. Refer to the applicable accounting standard (PBE IPSAS 35).

- ***Joint arrangements –*** A joint arrangement is an arrangement of which two or more parties have "joint control". Refer to the applicable accounting standard (PBE IPSAS 37).

- ***Investments in Associates –*** An associate is an entity you have significant influence over by way of your investment. Refer to the applicable accounting standard (PBE IPSAS 36).

For further information on joint arrangements, investments in associates and consolidation, we recommend viewing:

- **Explanatory Guide A8** – helps you identify all parts of your organisation that must be reported together as a group (such as whether you have control over branches or other organisations, and may need to consolidate financial information); and

- **Explanatory Guide A9** – helps you identify any relationships with other organisations that must be reported (such as a joint arrangement or an investment in an associate).

Note: All links in this document are to the XRB Standard Navigator and provide a simple way to access the Tier 3 NFP Standard.

Applying the Tier 3 NFP Standard: Watch out for... (continued)

Watch out for these requirements when applying the Tier 3 Standard

Principal vs Agent transactions

If your society collects revenue and incurs expenses on behalf of another party, you must consider whether you are acting as the principal or as an agent in the transaction.

- The **principal** is the organisation that is responsible for providing or purchasing the goods or services. They own the product or service and take the main risk in fulfilling the agreement with the other party in the transaction.
- The **agent** is the organisation that helps arrange the sale or purchase of the goods or services on behalf of the principal. They don't own the goods or services and usually earn a fee or commission for helping.

Example:
If a sports club sells uniforms:

- If the club buys the uniforms and sells them, they would be considered the principal.
- If the club takes orders for uniforms and passes the order on to a supplier to provide, earning a small fee, they would be considered the agent for the supplier.

If you are acting as an agent, you should not record the amounts collected or incurred in your Statement of Financial Performance or Cash Flows, as they should offset.

- Any amount not yet returned to the other party should be recorded in the Statement of Financial Position as a payable.
- If you earn a margin while acting as an agent, the margin earned should be recorded as a single item in revenue.
- The same approach should be taken in the Statement of Cash Flows.

For further information, see sections Paragraphs A101-104 in section 5 and Paragraph A230 in section 9 of the Tier 3 Standard.

You can find more information and all of our resources on our Incorporated Societies webpage

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

At a glance

Incorporated Societies

Applying the Tier 3 Not-for-Profit (NFP) Standard

Transition guide

February 2026

Disclaimer
This guidance has been prepared by staff of the External Reporting Board (XRB). It does not form part of any Standard or authoritative publications issued by the XRB. It should not be used as a substitute for reading the Tier 3 (NFP) Standard, nor is it a substitute for professional accounting advice.

Applying the Tier 3 NFP Standard: First time adoption?

The Tier 3 Not-For-Profit Accounting Standard

The Tier 3 Not-For-Profit (NFP) Accounting Standard (Tier 3 NFP Standard) is for small to mid-sized organisations. It is a single NZ financial reporting standard – all requirements are contained in one document. It is accrual based (meaning transactions are recorded as they occur rather than when money is paid/received) and is considered generally accepted accounting practice.

If you are eligible to apply the Tier 4 Not-For-Profit Accounting Standard or meet the 'small society' criteria set in the new Act, you can still voluntarily elect to apply the Tier 3 NFP Standard. This may be the right choice for you, if you have already been preparing financial statements on an accrual basis.

What is the purpose of this guidance and what can you expect from it?

This guidance is designed to provide a brief overview of how to transition to using the Tier 3 NFP Standard for the first time. Moving to a new reporting framework may seem daunting, however there are several transition provisions within the Tier 3 NFP Standard to help make this process efficient and effective.

When applying the Tier 3 NFP Standard for the first time, there are a couple of key aspects to understand about the transition process.

1. Transition Date: The Transition Date is the specific date from which the Tier 3 NFP Standard must be applied to all your transactions. Think of it as the starting point for implementing the new requirements. We outline the options available to you on page 4.

2. Implementation of Changes: Understanding how to implement the changes required by the Tier 3 NFP Standard is equally important. This involves a series of steps and adjustments. We briefly explore a high-level implementation process on page 3.

Note: All links in this document are to the XRB Standard Navigator and provide a simple way to access the Tier 3 NFP Standard.

Applying the Tier 3 NFP Standard: How to adopt the Tier 3 NFP Standard?

1

Review and compare your current accounting practices to the requirements of the Tier 3 NFP Standard

Review your current accounting practices to help identify the changes you need to make to meet the requirements of the Tier 3 NFP Standard.

You can start by reviewing your previous income statement and assets and liabilities line by line, identifying how you determined the recorded amount and if you made any additional disclosures. Then compare the treatment of these items to the requirements of the Tier 3 NFP Standard for accounting policy, disclosure and presentation.

You should also consider the following questions:

- Have you been using accrual accounting and need to make additional adjustments; such as recording debtors, creditors and other non-cash items like depreciation?
- Are there significant estimates and judgements that need revising based on the Standard (e.g. useful lives of property, plant, and equipment for depreciation, or assessment of bad debts, or the current value of old inventory)?
- How do the presentation requirements of the Standard differ to your previous practice?
- Do any of the required disclosures for the Notes to the Performance Report apply to your society?
- What additional information may be needed to prepare the additional Statements required (Service Performance, Cash Flows, Accounting Policies)?

2

Select your transition approach (for more detail on this step refer to the next page)

We expect most societies will apply the special provisions and apply the Tier 3 NFP Standard to current year information only, for first year adoption of the Standard. This provides a simpler and cost-effective *transition approach.*

3

Apply Tier 3 NFP Standard requirements to your preparation

Select and apply the relevant accounting policies and broader requirements of the Tier 3 NFP Standard, including service performance reporting.

Our Tier 3 NFP Reporting template will help you understand and apply the requirements of the Tier 3 NFP Standard and make completing your Performance Report easier.

Applying the Tier 3 NFP Standard: Transition Approach

Your transition date is the starting date from which you must apply the Tier 3 NFP Standard. The transition provisions are outlined in Appendix C to the Tier 3 NFP Standard. Most incorporated societies upon first time adoption will not have previously applied accounting standards issued by the XRB. Accordingly, most societies will be able to apply the special provisions in the Tier 3 NFP Standard. An illustration of the impact of these methods is shown on the next page.

General Provisions

Transition date is the first day of the previous financial year. For instance, if your financial year ends 31 March 2025, then your transition date is 1 April 2023.

The general provision allows you to update your prior year information to be consistent with your current year information.

1. Ensure all assets and liabilities are recorded at transition date. For any unrecorded assets and liabilities record these in line with C5 in Appendix C. Record any difference to your previous position through accumulated funds at transition date.
2. Apply the Tier 3 NFP Standard and related accounting policies to both your prior year and current year information.

Note: Your prior year information may end up being different to what was published in previous year's performance report under the general provision.

Special Provisions

Transition date is the first day of the current financial year. For instance, if your financial year ends 31 March 2025, then your transition date is 1 April 2024.

The special provision overrides any requirement in the Standard for prior year information to be reported.

1. Apply the Tier 3 NFP Standard and related accounting policies to the preparation of the current year information only.
2. Attach financial statements from previous year with a list of your previous accounting policies to your current year Performance Report.

The special provisions in Paragraph C10 of Appendix C also allow you to choose to apply the general provisions in Paragraphs C3-C6 of Appendix C (should you wish).

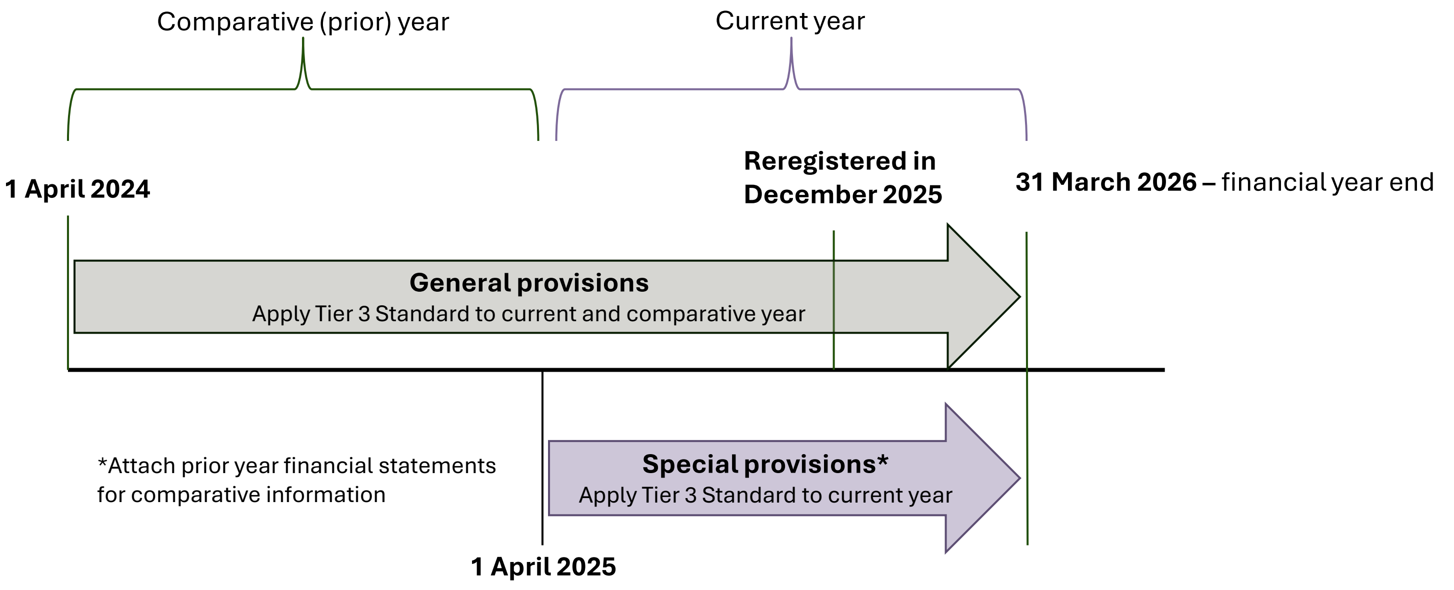
Applying the Tier 3 NFP Standard: Transition Approach (continued)

An illustration of the interaction of the transition date with a society's financial year end, reregistration date, and transition method selected, is shown below.

In this example the society reregistered in December 2025, and they have a financial year end of March. The next set of financial statements they prepare are for the financial year end of 31 March 2026, and they are required to apply the Tier 3 NFP Standard.

- If they decide to apply the **general provisions** they will need to apply the requirements of the Tier 3 NFP Standard to their financial information from 1 April 2024, and therefore present both the current and comparative year in line with Tier 3 requirements.
- If they decide to apply the **special provisions** they will only need to apply the requirements of the Tier 3 NFP Standard to their financial information from 1 April 2025 and therefore present the current year only. They will also need to attach their financial statements for the year ended 31 March 2025.

Example - Application of the Tier 3 Standard on transition after reregistration



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Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

At a glance

Incorporated Societies

Applying the Tier 3 Not-for-Profit (NFP) Standard

Assets and Liabilities Guide

February 2026

Disclaimer
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Applying the Tier 3 NFP Standard: Assets and Liabilities Guide

Below are examples of common assets and liabilities and what you would consider when recording these at financial year end. You may find this helpful to give you an indication of what to consider for these types of assets and liabilities on adoption.

You will also need to organise your assets into current and non-current assets (Paragraph A118), and your liabilities into current and non-current liabilities (Paragraph A162).

- **Current assets and liabilities are expected to be used, or sold, or paid within 12 months**
- **Non-current assets and liabilities are expected to last beyond 12 months**

Assets	Adoption considerations see Paragraph A121 and Table 3 for more information
Cash and short term deposits (A109)	Check your bank balances recorded tie to your bank statements (as reconciled).
Debtors (invoices owing to you/accounts receivable – A110)	If you have not previously recorded debtors you will need to record the amount receivable from invoices issued prior to your financial year end where payment was not received at financial year end. You are also required to assess whether any of the debtors balance is likely to not be received (Paragraph A124). If it were known at your financial year end that any part of the balance was a bad debt then this amount should be written off as an expense.
Prepayments (expenses paid in advance of the financial year they relate to – A111)	Consider if anything **significant** has been prepaid in advance of the actual financial year they relate to. A common expense to watch out for is insurance, along with any subscription-based expenditure (especially when paid annually).
Inventory (A112)	The Tier 3 NFP Standard requires you to hold your inventory at the lower of cost or net realisable value (current value it could be sold for). You will need to assess the balance of inventory, and if the current value it could be sold for is lower than its cost you must record an expense to reduce the balance. This assessment should be made based on information as at financial year end without the benefit of hindsight!

Applying the Tier 3 NFP Standard: Assets and Liabilities Guide

Assets	Adoption considerations see Paragraph A121 and Table 3 for more information
Investments (A114 and A145-A151)	Investments can be recorded at cost. However, if you have publicly traded investments, you may elect to record at a current market value. If you have interest bearing investments - interest that is earned up to your financial year end but has not been paid should be recorded (if it is significant). You may decide to record this amount onto the balance of your investment or as an other receivable. If you receive dividends - any dividends that are declared but not yet paid should also be accrued (if they are significant). Again, you may decide to record this onto the balance of your investment or as an other receivable.
Property, plant and equipment (fixed assets – A113 and A129-A142)	If you have property, plant and equipment then there are several things to consider upon adoption: • Recognition and valuation of significant assets • Depreciation • Investment property ***Recognition and valuation of significant assets*** Have you recorded all significant items of property, plant and equipment? If not, the Tier 3 NFP Standard allows you to record these items at a readily obtainable current amount (such as rateable value or government valuation). *You can also elect to revalue classes of property, plant and equipment to a current market value (should you wish).* ***Depreciation*** Depreciation is the allocation of the cost of the asset over its useful life using a structured method such as straight line or diminishing value. Depreciation must be recorded based on an estimate of the useful life of the item of property, plant and equipment. If you have applied depreciation previously (e.g. in line with Inland Revenue depreciation rates), you must consider whether the rates used align with the estimated useful life of the asset. If there are significant differences, you will need to change your depreciation rates to align with the estimated useful life. For example, if a society applied the Tier 3 Standard from 1 April 2025, and determined five laptops it had purchased on 1 April 2024 for $1,500 each, actually had a useful life of four years. If significant, it would change the depreciation rate previously used (50% diminishing value) to 25% straight-line going forward. These laptops would have a carrying value of $750 at 1 April 2025, and therefore, over the next 3 years the carrying value would be depreciated equally to zero (e.g. $250 each per year). ***Investment property (A143-A144)*** You can classify items of property, plant and equipment as investment property if they are held primarily to generate rental income or for capital gains. This description may better match your use of the asset.

Applying the Tier 3 NFP Standard: Assets and Liabilities Guide

Liabilities	Adoption considerations See Paragraph A166 and Table 4 for more information
Creditors and accrued expenses (A155-A156)	If you have not previously recorded transactions on an accrual basis, you will need to determine your creditors and accrued expenses balance at your financial year end. 1. Record as creditors the amounts of any invoices dated prior to financial year end but that are not yet paid at financial year end; and 2. Record any significant expenses that were incurred in the financial year but not paid until after financial year end.
Employee costs payable (A157)	If you have not recorded salaries and wages payable or a holiday pay provision or any other relevant employee costs payable previously, then we suggest determining whether the balances would be significant at your financial year end. If they are significant then the appropriate balances owing should be recorded as employee costs payable.
Deferred revenue	A review of the types of revenue your society generates, and the required accounting policy for recording these, should help you determine whether you are required to record deferred revenue at financial year end.
Loans (A158)	Ensure you go back to your loan statements to check the correct principal balance at your financial year end. If accrued interest is **significant** and has not been recorded, we suggest recording this within the loan balance.

Note: All links in this document are to the XRB Standard Navigator and provide a simple way to access the Tier 3 NFP Standard.

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Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

At a glance

Incorporated Societies

Applying the Tier 3 Not-for-Profit (NFP) Standard

Revenue and Expenses Guide

February 2026

Applying the Tier 3 NFP Standard: Revenue and Expenses Guide

As part of preparing your Statement of Financial Performance you will need to classify your society's transactions to the specific categories used by the Tier 3 NFP Standard. Some judgement may be required to select the appropriate categories.

These categories cannot be combined or broken down into more detailed categories in the Statement of Financial Performance. However, the name of these categories can be changed, provided that the separate categories are still maintained.

- **Revenue categories – See Paragraph A60 in the Tier 3 Standard**
- **Expenses categories – See Paragraph A89 in the Tier 3 Standard**

If you are unsure which category applies, aim for the most appropriate option rather than a precise match. Some revenue generating activities or expenses may reflect features of multiple categories outlined in the Tier 3 NFP Standard. Use your best judgement as to what category is most appropriate, and most importantly, apply the classification consistently from year to year. You can always provide more information in the Notes to the Performance Report if it is significant.

Revenue that contributes to the achievement of a society's purpose

Societies may earn revenue that does not neatly fit into the fundraising or commercial revenue categories. In these cases, a service delivery category may be more appropriate.

Most incorporated societies organise activities related to what they were set up to do which may also generate revenue separately to membership fees and subscriptions. These activities typically contribute to the achievement of a society's purpose, and may not be necessarily run as a fundraising or commercial activity. In these cases, the revenue from these types of activities may be more appropriately classified to the category '**non-government service delivery grants/contracts**' even if they do not relate to a specific grant or contract (Paragraph A64).

Revenue	Explanation
Non-government service delivery grants/contracts	**Can also include revenue from activities that contribute to the achievement of your society's mission or purpose.** The revenue does not need to relate to a service delivery grant or contract in these cases (Paragraph A64). **Some examples may include (where they are not considered a commercial or fundraising activity):** • Affiliation fees • Competitions, tournaments, race fees etc. • Uniform/gear/merchandise sales to members • Annual conference • Awards/prizegiving events • Rental of uniform/gear/equipment to members • Levies • Revenue from operating a bar

Applying the Tier 3 NFP Standard: Revenue & Expenses Guide

Example of 'non-government service delivery grants/contracts' revenue

A car club exists to support a passion for vehicles and racing. As a result, the club runs different types of race series for members and others to participate in. The club looks to cover all costs and charges for participation and entry.

Extract of income (fees charged for participation)	$
Track day races	9,342
Special class race series	53,581
Mid-year race series	81,056
Other events	44,389
	188,368

As the revenue from all these race series contributes to the achievement of the club's purpose, the revenue can be classified as 'non-government service delivery grants/contracts'. The club decides to rename this classification to 'Race and event income' to make it more understandable for members.

Extract from Statement of Financial Performance	$
Race and event income	**188,368**

In previous reporting, the club had shown income separately for each race series. However, the Tier 3 Standard, requires the revenue to be grouped in one category on the Statement of Financial Performance. The club may want to provide a further breakdown of 'Race and event income' in the Notes to the Performance Report to still give this financial detail to users of the performance report.

Direct expenses are classified as 'Other expenses related to service delivery'. However, the club decided to rename this category 'Direct race and event expenses'. A breakdown of this category may also be provided in the Notes to the Performance Report.

How do you classify general overhead expenditure?

- ***Other Expenses related to Service Delivery –*** Any overhead expenses related to government or non-government service delivery
- ***Expenses related to Commercial Activities –*** Any overhead expenses related to delivering commercial activities

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Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Memorandum

To:	NZASB Members
Meeting date:	12 February 2026
Subject:	**International Influence – IASB projects and ASAF update**
Date:	29 January 2026
Prepared by:	Nimash Bhikha
Through:	Michelle Lombaard

☐ **Action Required** ☒ **For Information Purposes Only**

Purpose[1]

1. The purpose of this item is to provide the Board with an update on the International Accounting Standards Board's (IASB's) projects and upcoming Accounting Standards Advisory Forum (ASAF) discussions.

2. As per the XRB's Statement of Intent, we enable trust and confidence in the external reporting system by setting high-quality standards that are internationally credible and locally relevant.

3. The XRB's proactive international engagement allows us to build credibility and influence both the international standard-setting agenda and the standards as they are set. the ASAF appointment provides an opportunity to positively influence IFRS international standards so that the New Zealand context is well considered early in their development.

4. We highlight this to the Board to allow board members to reach out to Nimash if they are interested in a project or if they have specific contributions to make in our preparation. In conjunction with our other outreach with stakeholders on the projects (including our Technical Reference Group) any comments will help shape our international influence.

Recommendations

5. We recommend the Board **NOTE** the update on the status of IASB's projects and ASAF discussions and **PROVIDE FEEDBACK**, where relevant.

IASB projects update

6. The following table outlines the IASB's current projects and status, with 'traffic light' colours representing which projects likely to have public documents which will need to

[1] This memo refers to the work of the International Accounting Standards Board (IASB) and uses registered trademarks of the IFRS Foundation (for example, IFRS® Standards, IFRIC® Interpretations and IASB® papers).

be considered by the Board in 2026. The hyperlinks are to the IASB's relevant project page.

#	Project	Related Standards	Project Purpose	Next Milestone	Current Status
1	**Amendments to the Fair Value Option** **Standard-Setting Project**	IAS 28 *Investments in Associates and Joint Ventures*	Narrow-scope amendments to broaden the scope of investments in an associate or joint venture that can be measured using the fair value option. The project aims to explore whether the fair value option could be made available to a broader scope of investments held by specified entities, to help reduce diversity in practice, particularly those in the insurance industry.	**Issue Exposure Draft** – February 2026	The IASB tentatively decided to clarify, that 'similar entities' include entities that invest in associates and joint ventures as a main business activity. The Exposure Draft is being balloted with a 60-day comment period. **The XRB will release this ED on our website when it is released.** **Refer to Agenda Item 15.1a for staff recommendation on whether the NZASB should comment on this ED.**
2	**Amortised Cost Measurement** **Standard-Setting Project**	IFRS 9 *Financial Instruments*	Narrow-scope amendments to clarify and provide additional application guidance about requirements related to the effective interest method, and the modification and derecognition of financial instruments of financial assets. The project aims to respond to the PIR of IFRS 9 and reduce diversity in practice by clarifying amortised cost measurement requirements; and clarify intersections between amortised cost requirements and impairment requirements.	**Issue Exposure Draft** – H2 2026	The IASB are starting to deliberate issues within the scope of the project, noting that there may be difficulties in finding an optimal balance of costs and benefits for entities around any potential proposals. An ED will be issued once the IASB decide on proposed changes in line with their due process.
3	**Business Combinations—Disclosures, Goodwill and Impairment** **Standard-Setting Project**	IFRS 3 *Business Combinations* IAS 36 *Impairment of Assets*	New requirements and disclosures around performance of business combinations and impairment test amendments, to provide more useful information to users about business combinations, at a reasonable cost. The project aims to respond to the PIR of IFRS 3 and improve stakeholders' information around performance of acquisitions, impairment tests and amortisation of goodwill.	**Decide Project Direction (Post-ED)** – H2 2026	The IASB are continuing to re-deliberate the proposals following the Exposure Draft feedback, particularly around proposed exemptions from the proposed disclosures. A final amending standard will be issued once the IASB decide on final changes in line with their due process.
4	**Equity Method** **Standard-Setting Project**	IAS 28 *Investments in Associates and Joint Ventures*	Narrow-scope amendments to clarify how to apply the equity method of accounting by answering application questions the IASB has received over several years, and new	**Decide Project Direction (Post-ED)** – Q1 2026	The IASB are continuing to re-deliberate the proposals following the Exposure Draft feedback, particularly around the measurement of the cost of an

#	Project	Related Standards	Project Purpose	Next Milestone	Current Status
			disclosure requirements that will enhance the information companies provide about these investments. The project aims to reduce diversity in practice by answering application questions on the equity method of accounting and improve the understandability of IAS 28.		associate, accounting for additional purchases and transaction costs. A final amending standard will be issued once the IASB decide on final changes in line with their due process.
5	**Financial Instruments with Characteristics of Equity** **Standard-Setting Project**	IAS 32 *Financial Instruments: Presentation* IFRS 7 *Financial Instruments: Disclosures*	New requirements and disclosures to improve underlying classification principles in relation to complex financial instruments which have both financial liability and equity characteristics. The project aims to improve the information about financial instruments and to address practical challenges.	**Issue Final Amending Standard** – H2 2026	The IASB have re-deliberated the proposals following the Exposure Draft feedback, particularly around the classification, presentation and disclosure requirements. A final amending standard will be issued once the IASB decide on final changes in line with their due process.
6	**Intangible Assets** **Research Project**	IAS 38 *Intangible Assets*	Comprehensive review of intangibles accounting, by evaluating user needs for information about recognised and unrecognised intangible assets and considering whether to update the definition of an intangible asset, associated guidance and recognition criteria, by using test cases around cloud computing arrangements and agile software development.	**Decide Project Direction (Pre-ED)** – H1 2026	The IASB are still in the research phase and looking to better understand current practical issues around intangible assets. Once completed, the IASB will consider whether it can make discrete meaningful improvements to IAS 38 or whether more work is needed before considering any changes to the Standard.
7	**Post-implementation Review of IFRS 16 Leases** **Research Project**	IFRS 16 *Leases*	Post-implementation review of leases accounting to assess whether the effects of applying the new requirements on users of financial statements, preparers, auditors and regulators are as intended when the new requirements were developed.	**Analysing RFI Feedback (Post-RFI)** – Q1 2026	The IASB are analysing the feedback received on the implementation of the standard. Once completed, the IASB will consider whether any standard-setting project is needed around accounting for leases.
8	**Post-implementation Review of IFRS 9—Hedge Accounting** **Research Project**	IFRS 9 *Financial Instruments* IFRS 7 *Financial Instruments: Disclosures*	Post-implementation review of hedge accounting to assess whether the effects of applying the new requirements on users of financial statements, preparers, auditors and regulators are as intended when the new requirements were developed.	**Issue Request for Information** – H2 2026	The IASB are preparing for the third stage of their phased PIR of IFRS 9 and will look to scope the request of information around the implementation of the new hedge accounting requirements in IFRS 9. Once completed, the IASB will release the RFI document for public feedback.

#	Project	Related Standards	Project Purpose	Next Milestone	Current Status
9	[Provisions—Targeted Improvements] **Standard-Setting Project**	IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* *IFRIC 6 Liabilities arising from Participation in a Specific Market* IFRIC 21 *Levies*	Narrow-scope amendments to the definitions within IAS 37 with the conceptual framework and improve the accounting for provisions around recognition, discount rate measurement and measuring costs to include in the provision. The project aims to respond to stakeholder concerns than IAS 37 generally works well in practice, other than some areas where there are uncertainty and diversity which could be improved.	**Decide Project Direction (Post-ED)** – Q1 2026	The IASB have re-deliberated the proposals following the Exposure Draft feedback, particularly around the recognition of legal obligations and constructive obligations, and costs to include in the measurement of a provision. A final amending standard will be issued once the IASB decide on final changes in line with their due process.
10	[Rate-regulated Activities] **Standard-Setting Project**	IFRS 20 *Regulatory Assets and Regulatory Liabilities* (replacing IFRS 14 *Regulatory Deferral Accounts*)	New principal accounting standard around accounting for rate-regulation impacts by reporting regulatory assets and regulatory liabilities in their statement of financial position, and related regulatory income and regulatory expense in their statement of financial performance. The project aims to inform investors about timing differences in rate-regulation and help investors understand which fluctuations in the relationship between a company's revenue and expenses are caused by those differences in timing, so that investors could make better assessments of the company's prospects for future cash flows.	**Issue Final IFRS Accounting Standard** – Q2 2026	The final principal standard, along with supporting material and effects analysis is being balloted and expected to be released in mid-2026, with a mandatory date for periods beginning on or after 1 January 2029.
11	[Risk Mitigation Accounting] **Standard-Setting Project**	IFRS 9 *Financial Instruments* IFRS 7 *Financial Instruments: Disclosures*	New requirements to add a risk mitigation accounting model for companies managing repricing risk on a net basis, and to require a company to disclose its strategy for managing repricing risk and the effects of its risk management activities. The project aims to better represent in the financial statements the effects of a company's activities to mitigate repricing risk and provide useful information to users of financial statements about how a company manages repricing risk.	**Open Exposure Draft** – Closes 31 July 2026	The IASB have published an ED, which is now open for comment. Once the comment period ends, the IASB will analyse the feedback received on the proposed requirements and consider what refinements are needed. **Refer to Agenda Item 15.1a for staff recommendation on whether the NZASB should comment on this ED.**

#	Project	Related Standards	Project Purpose	Next Milestone	Current Status
12	[Statement of Cash Flows and Related Matters] **Research Project**	IAS 7 *Statement of Cash Flows*	Research on the nature and extent of perceived deficiencies in the Statement of Cash Flows and to consider how to improve the transparency of cash flow information.	**Decide Project Direction (Pre-ED)** – Q1 2026	The IASB are still in the research phase and looking to better understand current practical issues around cash flows. The IASB tentatively decided to extend the MPMs requirements to include cash flow measures and are considering whether this should progress to an Exposure Draft. Once all research is completed, an ED will be issued once the IASB decide on proposed changes in line with their due process.

Question for the Board:

Q1. Does the Board have any **COMMENTS** on the IASB's current projects, and are there any New Zealand-specific matters which staff should consider or research further on any of these projects?

Upcoming ASAF discussion – March 2026

7. The March 2026 ASAF meeting will be held on Monday 30 March, and Tuesday 31 March 2026, with the following topics expected to be discussed:

- **Provisions – Targeted Improvements (IAS 37)** – Seeking feedback on the IASB's tentative decisions in response to the feedback provided through the Exposure Draft, particularly around whether the accounting for levies should be considered as part of these amendments, or as a separate project.
- **Statement of Cash Flows (IAS 7)** – Seeking feedback on the scope of the project and best pathways to address causes for inconsistencies in the presentation and classification of items within the statement of cash flows.
- **PIR of IFRS 16 Leases (IFRS 16)** – Seeking feedback on the IASB's tentative decisions in response to the feedback provided through the Request for Information, particularly around whether the costs and benefits of the lease accounting principles.
- **Amendments to the Fair Value Option (IAS 28)** – Seeking feedback on the proposals included in the Exposure Draft.
- **Risk Mitigation Accounting (IFRS 9 and IFRS 7)** – Seeking feedback on the proposals included in the Exposure Draft.

Question for the Board:

Q2. Does the Board have any **COMMENTS** on the upcoming ASAF discussions?