Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

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

Tier 1 and Tier 2 public benefit entities

What we heard – March 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. This document sets out what we heard from stakeholders on these EDs.

Respondents supported the principles in the EDs but raised application, capability and cost concerns

We outline below the key themes of the feedback we heard on both EDs from respondents to our consultation. There were mixed views in most areas. This is not unexpected, particularly due to the nature and complexity of the proposals, and the wealth of responses received. A more detailed summary of feedback (by consultation question) is set out on pages 3–7.

1. There is general support for the principles underpinning the EDs from a conceptual point of view, but there are concerns about practical application, particularly given the significant judgements involved.
2. Concerns were raised around the capability of Tier 2 PBE entities, especially NFP entities, to implement the proposed standards.
3. Implementation will require significant time, resources and education, as well as potential system changes. Respondents suggested additional guidance for specific scenarios and New Zealand-focused examples, as well as implementation support.
4. On balance, respondents acknowledged the potential benefits of clearer, more coherent principles for the accounting for revenue and transfer expenses. However, views were mixed on whether those benefits will outweigh the costs in practice—particularly for transfer expenses.

Broad stakeholder engagement through a range of outreach activities

We carried out a comprehensive outreach programme to engage with a wide range of stakeholders. Our 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). We also received eight written submissions (available on our website here).

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

Educational materials to help stakeholders understand the proposals

We published educational material to help stakeholders understand the proposals. These included one-page factsheets covering revenue and transfer expenses, 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. We received positive feedback on this educational material, with stakeholders indicating that the information greatly assisted their understanding of the proposals.

Field testing was supported but volunteers are still being sought

Several respondents supported our suggestion to undertake field testing of the proposed standards. We have not yet had any volunteers to do this. We welcome anyone interested in field testing to get in touch with us at accounting@xrb.govt.nz. We are happy to answer any questions you might have.

Next steps

Over the coming months, we will carefully consider the feedback received on ED PBE IPSAS 47 and ED PBE IPSAS 48 and discuss any proposed changes with the New Zealand Accounting Standards Board (**NZASB**). Our current plan is to complete this work towards the end of 2026.

Summary of feedback by consultation question

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

We are continuing to analyse the comments received from stakeholders to determine the next steps in these projects.

Please note that this summary is not intended to capture all the feedback that we received.

<table>
<tr><th>Consultation question</th><th>Feedback</th></tr>
<tr><td colspan="2">Revenue</td></tr>
<tr><td>1. Benefit vs cost consideration</td><td>Respondents welcomed the proposed move away from the exchange and non-exchange model to a binding arrangement approach and viewed this framework as more intuitive—particularly in providing a clearer basis for deferring revenue. The closer alignment with NZ IFRS 15 Revenue from Contracts with Customers was viewed positively in improving coherence and comparability across sectors and enabling workforce mobility.
Respondents raised concerns about the significant cost and effort that transitioning to this new model will likely require, identifying the following as being the most resource intensive:
1. Reviewing existing arrangements.
2. Determining enforceability (which is key to determining whether a binding arrangement exists).
3. Identifying and tracking compliance obligations for revenue with binding arrangements (which becomes the unit of account and affects the timing of revenue recognition).
For Tier 2 PBEs, especially NFP entities, greater challenges are expected 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.</td></tr>
<tr><td>2. Clarity of the key principles (binding arrangements, enforceability and compliance obligations)</td><td>While there was broad support for the binding arrangement concept being the key principle underpinning revenue accounting, respondents raised concerns about the practical application of the principles. 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 and assure 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 in order to be binding, an arrangement must be enforceable by legal or equivalent means);
2. what types 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.</td></tr>
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Consultation question	Feedback
	The proposed standards do not require the parties to the arrangement (i.e. the provider and recipient of the resources) to apply the principles to their transactions in the same way. However, one respondent noted that 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 that demonstrate 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 are satisfied, even where no binding arrangement exists. They considered that this approach can better reflect how services are delivered in practice. 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". A few respondents noted that grants with expectations that are likely to be fulfilled, but without enforceable obligations, can still create revenue volatility if revenue is recognised immediately.
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 multi-year, multi-party, 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. It was also requested that a definition of "transfer liability'' be included to complement the "transfer asset'' notion in PBE IPSAS 48. In addition, many respondents requested enhanced guidance on complex areas such as: 1. tax revenue measurement; 2. the interaction with other PBE Standards; 3. the treatment of non-cash consideration; and 4. the accounting for licences, levies, appropriation-related revenue and revenue from regulated fees and charges. These areas often involve unique statutory or operational features, which may result in inconsistent application. We heard requests for New Zealand-specific illustrative examples, decision trees and flowcharts to support enforceability assessments, compliance obligation identification

Consultation question	Feedback
	and the timing of revenue recognition. Some respondents also encouraged incorporating relevant Basis for Conclusions material from IPSAS 47 to enhance clarity. 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 more concessions may be needed 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. However, similar to revenue, respondents expressed significant concerns about the following, especially for NFP entities and Tier 2 entities: 1. The administrative burden. 2. The level of judgement involved. 3. Potential system changes required to implement the proposals. 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.

Consultation question	Feedback
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 analysis – please refer to Q2 in the revenue table above. Specific to transfer expenses, it was noted that transfer providers may find it difficult to identify the number of distinct transfer rights in the binding arrangement. This may create challenges in ensuring appropriate recognition of transfer expenses 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 under NZ IFRS 15). However, respondents also raised practical challenges. The main concern raised was the practical difficulty of reliably assessing the transfer recipient's progress towards satisfying 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 longstanding 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. The guidance is seen as helpful, but views were expressed that the guidance may not be sufficient for entities to determine whether a legal or constructive obligation exists at the reporting date. This is particularly so 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.

Consultation question	Feedback
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.
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.