New Zealand Accounting Standards Board

MEETING PACK

for

NZASB Meeting - 128 Public

Thursday, 23 April 2026

9:00 am (NZST)

Held at:

XRB Boardroom

Level 6, 154 Featherston Street, Wellington

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AGENDA

NZASB MEETING - 128 PUBLIC

Name:	New Zealand Accounting Standards Board
Date:	Thursday, 23 April 2026
Time:	9:00 am to 5:00 pm (NZST)
Location:	XRB Boardroom, Level 6, 154 Featherston Street, Wellington
Notes:	Carolyn Cordery (Committee Chair), Sheree Ryan (Deputy Chair), Keith Kendall, Lara Truman, Richard Perry, Richard Smyth, Nicola Haslam, Alex Stainer, Carly Berry, Gali Slyuzberg, Leana van Heerden, Michelle Lombaard, Nimash Bhikha, Tereza Bublikova, Raveen Kaur, Misha Pieters Wendy Venter

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 (60 min)

3. Non-Public Session

3.1 Non-Public Session 10:15 am (45 min)

4. Break

4.1 Break 11:00 am (5 min)

5. Non-Public Session

5.1 Non-Public Session 11:05 am (55 min)

6. Lunch

6.1 Lunch 12:00 pm (45 min)

7. Non-Public Session

7.1 Non-Public Session 12:45 pm (100 min)

8. IPSASB Work Programme Consultation

8.1 IPSASB Work Programme Consultation

2:25 pm (10 min)

For Decision

Supporting Documents:

8.1.a	8.1a Board memo - IPSASB Work Programme Consultation.pdf	6
8.1.b	8.1b IPSASB Updated WPC Draft Comment Letter.pdf	15
8.1.c	8.1c Comment letter from Carter Financial Consulting.pdf	27

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

9.1 PBE IPSAS 47 Revenue and PBE IPSAS 48 Transfer Expenses

2:35 pm (40 min)

For Discussion

Supporting Documents:

9.1.a	Revenue and Transfer Expenses - Analysis of stakeholder feedback on the binding arrangement principle (1).pdf	31
9.1.b	Revenue and Transfer Expenses - IPSASB Application Group matters.pdf	59

10. Break

10.1 Break

3:15 pm (10 min)

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

11.1 PBE IPSAS 47 Revenue and PBE IPSAS 48 Transfer Expenses - continued

3:25 pm (40 min)

For Discussion

12. IASB Amendments to the Fair Value Option

12.1 IASB Amendments to the Fair Value Option

4:05 pm (5 min)

For Decision

Supporting Documents:

12.1.a	CIRCULAR APPROVAL_ IASB Comment letter - Fair Value Option .pdf	68
12.1.b	NZASB Comment Letter - Amendments to the Fair Value Option (Final 14 April 2026).pdf	71

13. Non-Public Session

13.1 Non-Public Session

4:10 pm (30 min)

14. Non-Public Session

14.1 Non-Public Session 4:40 pm (10 min)

15. Non-Public Session

15.1 Non-Public Session 4:50 pm (10 min)

16. Close Meeting

16.1 Close the meeting

Next meeting: NZASB Meeting -129 - 11 Jun 2026, 9:00 am

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Memorandum

To: NZASB Members

Meeting date: 23 April 2026

Subject: **IPSASB Work Programme Consultation**

Date: 17 April 2026

Prepared by: Tereza Bublikova

Through: Gali Slyuzberg, Michelle Lombaard

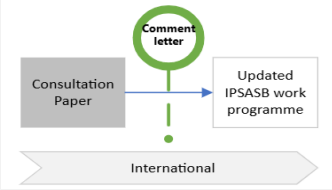
☒ **Action Required** ☐ **For Information Purposes Only**

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** **NOTE** the feedback received and **APPROVE** the draft comment letter for submission to the IPSASB.

Purpose and introduction

1. The International Public Sector Accounting Standards Board (IPSASB) has released its IPSASB 2025 Work Programme Consultation (the 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 approval of the comment letter.

Recommendations/ actions

4. We recommend that the Board:

   (a) **NOTE** the feedback received and **PROVIDE FEEDBACK** on the updated draft comment letter; and

   (b) **APPROVE** the updated draft comment letter for submission to the IPSASB, subject to any changes being finalise by the NZASB Chair.

Structure of this memo

5. The remaining sections of this memo are:

   - Background
   - Outreach activities
   - Feedback received
   - Next steps
   - Appendix: Feedback received through the XRB online submission form

Background

6. The Consultation seeks feedback on the IPSASB's future priorities for the 2026 -2028 period in terms of:

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

7. 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.

8. The IPSASB indicated that the PIR will generally not commence until at least five years after the IPSASB's effective date of a standard. At its March 2026 meeting, the IPSASB decided not to undertake a PIR of IPSAS 20 *Related Parties Disclosures* as a pilot project. Instead, it agreed to wait for the outcome of this Consultation before deciding which standard should be selected for a PIR. The IPSASB also decided to establish a Financial Reporting Implementation Forum, which will also help inform decisions on the selection of standards for PIRs.

9. At its 12 February 2026 meeting, the NZASB provided comments to the draft comment letter to the Consultation. At that stage, the draft comment letter didn't include response to the SMC 3 relating to the sustainability projects.

10. At its 25 February 2026 meeting, the Sustainability Reporting Board (SRB) agreed to comment to the IPSASB Work Program consultation SMC 3 and delegated the specific wording of the response to the Consultation SMC 3 to the SRB Chair and one other SRB member.

Outreach activities

11. On 13 March 2026, we published the draft comment letter (including the response to the SMC 3) on the XRB website for public consultation. To allow stakeholders sufficient time to consider the draft comment letter (DCL), the deadline for submissions to XRB has been extended to 13 April 2026. As at the close of the consultation period, the draft comment letter had been downloaded 20 times from the XRB website.

12. We've raised awareness about this consultation through the March Accounting Standards and Climate Alerts and LinkedIn post. As at the date of this memo, the LinkedIn post had 387 views. We also directly reached out to the PBE Working Group and representatives from Treasury, OAG, CA ANZ and we discussed the DCL with the TRG. We highlighted this consultation in relevant stakeholder engagements, such as XRB advisory panel (XRAP), IRD, MBIE and at the local government finance forum.

Feedback received

13. We received one formal submission from Carter Financial Consulting (see agenda item 8.1c) and one submission via the XRB website form (see the Appendix). We also received informal feedback from CA ANZ, one member of the PBE Working Group, and the TRG.

14. Most of the feedback was positive, with respondents noting that the DCL is substantive, well-reasoned and recommendations are well-supported. However, the submission included in the Appendix raised some concerns about the tone of the letter and some of the recommendations. We made several attempts to contact the submitter to discuss these points and to better understand the underlying issues raised. The submitter did not respond, and accordingly no further clarification was obtained beyond the written submission.

15. Table 1 below summarises the feedback received on the DCL and explains why certain comments were, or were not, reflected in the final draft of the comment letter (agenda item 8.1b).

Table 1 – Feedback received to the draft comment letter

Feedback received	Rational for amending/not amending in the draft comment letter
Comments related to SMC 1 - financial reporting projects	
Architecture project	
I am unclear why the XRB is making **hypothetical statements on behalf of other**	**Partially reflected in DCL** – The intention of the related discussion in the DCL wasn't to compare

Feedback received	Rational for amending/not amending in the draft comment letter
jurisdictions and not New Zealand and how these recommendations [regarding IPSAS architecture] would benefit New Zealand stakeholders.	New Zealand with other jurisdictions. Rather, the intention was to point out to issues that may arise in jurisdictions where the definition of 'material' in accounting standards and description of 'material' in the Conceptual Framework are different, with one referring to general purpose financial statements (GPFS) and the other referring to general purpose financial reports (GPFR) - like in IPSASB literature. In particular, this difference could give rise to issues in jurisdictions that adopt the IPSASB's Sustainability Reporting Standard (SRS). We made this clear in the comment letter and removed the reference to "other" jurisdictions in this instance. Even though New Zealand does not adopt IPSASB's SRS and has resolved the GPFS/GPFR materiality issue domestically, the IPSASB Architecture project remains highly beneficial for New Zealand stakeholders. • It improves the coherence, usability, and future-proofing of IPSAS-based literature that underpins PBE Standards. • It supports international comparability and credibility, reduces downstream adaptation costs, and provides a clearer foundation for NZASB decisions about whether and how to incorporate future IPSASB pronouncements into PBE suite of standards. • It also provides clarity on what is required to be in the scope of GPFS vs GPFR which often becomes blurred.
consider adding a sentence acknowledging the particular **importance** of this [Architecture] project **for jurisdictions that are still transitioning to IPSAS**	**No change to DCL** – paragraph 6 of the DCL already mentioned that this project is important for *"Jurisdictions transitioning to IPSAS and navigating their way through the IPSAS literature."*
Projects linked to currently ongoing IASB projects	
We find **PBE IPSAS 19** *Provisions, Contingent Liabilities and Contingent Assets* hard to apply. There are ongoing uncertainties about	**No change to DCL** – Paragraphs 9-11 of DCL already recommend IPSASB to prioritise the commencement of projects related to existing IASB projects *IAS 37 Provisions, Contingent*

Feedback received	Rational for amending/not amending in the draft comment letter
when, or whether, liabilities should be recognised when the government signs a new treaty, declares climate commitment, announces intention or take similar action.	*Liabilities and Contingent Assets (Targeted Improvements Project)*; and *Disclosures about Uncertainties in the Financial Statements*. It also highlights the need to consider public sector-specific matters such as commitments under the Paris Agreement and other government obligations.
There is need to improve **Intangible standard** in both for-profit and PBE suite of standard. There are application issues around trading schemes, SaaS and software projects and digitisation projects. Quite often we are getting different accounting advice for projects that are the same in nature, or the advice changes over time.	**No change to DCL** – Paragraph 13 of the DCL already acknowledges the importance of the IASB's comprehensive review of IAS 38 *Intangible Assets*. While we agree that this is an important area of work, we note that the IASB is currently progressing its work on intangible assets. Given the IPSASB's stated strategy of maintaining alignment with IFRS Accounting Standards, it may be helpful for the IPSASB to consider the outcome of the IASB's project before considering whether, and how, to address this issue in the public sector.
IFRS 17 Insurance Contracts	
Strengthen the IFRS 17 consequences case by noting the burden the current gap places on lower-capacity entities and jurisdictions that cannot readily apply the IPSAS 3 hierarchy to derive policies from IFRS 17 themselves.	**No change to DCL** – We appreciate that an IFRS 17 equivalent will help entities avoid having to following the judgemental hierarchy in IPSAS 3, however the judgements needed will vary in practice based on entities own circumstances and arrangements and the costs could significantly vary entity to entity. Paragraph 16 of the DCL already acknowledges that addressing this gap in the IPSASB literature would provide a more complete suite of IPSAS standards, which we consider is a more appropriate and positive statement to emphasise the importance of this project at the IPSASB level.
There seems to be no benefit for the XRB encouraging the IPSAS to develop an international standard based on **IFRS 17** [*Insurance Contracts*]. If the XRB does want to recommend this, then it should publicly commit to New Zealand	**No change to DCL** – 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 public sector comparability and consistency will be

Feedback received	Rational for amending/not amending in the draft comment letter
stakeholders that taxpayer money will not be spent on this.	undermined and that international practice will diverge from New Zealand practice which could, in turn, lead to increased costs for New Zealand stakeholders. If there are any differences between PBE IFRS 17 and an IPSAS based on IFRS 17, the XRB will consider whether changes to PBE Standards are warranted, taking cost-benefit considerations into account.
Other projects	
PBE IFRS 5/IPSAS 44 *Non-current Assets Held for Sale and Discontinued Operations* doesn't work well for the assets transferred from one organisation to another. Maybe there is a space for another category – "assets held for transfer".	**No change to DCL** – We do not consider this issue to be a highest-priority matter in New Zealand and, accordingly, have not included it in the DCL. While there have been some public entity transfers in recent times, these are relatively limited when considering the Tier 1 and Tier 2 public sector in New Zealand. We note that a question has been raised with the IPSASB Application Group on the measurement of assets received in a common control transaction and the IPSASB have instructed staff to research reporting alternatives for the IPSASB to consider on the transfer of assets (which are not an operation) between entities under common control. We will monitor this research and will contribute New Zealand's feedback where appropriate through this process, which we consider will be a more effectively and timely way to share these challenges with the IPSASB.
Cover letter	
The tone of this part of the letter [first bullet point on page 1/2] seems to be the XRB stroking its own ego and being self-serving to maintain a seat at the IPSAS table.	**Partially reflected in DCL** – This comment was considered alongside other submitters positive reaction to the comment letter. We note that the XRB is not an appointed member to the IPSASB, and this is already reflected in the DCL. We have updated the first bullet point to highlight many NZ public sector entities have experience in applying IPSASB- based standards, as there are

Feedback received	Rational for amending/not amending in the draft comment letter
	many jurisdictions that are still transitioning to IPSASB, where NZ accounting base is established. This highlights that our recommendations are informed from real implementation challenges. Given the strategic nature of this consultation, and noting that the IPSASB has a new Chair, one of our objectives with this submission is to influence the international standard setting body to understand the New Zealand context and prioritise the projects we have recommended. This is in line with our Statement of intent *"we seek opportunities to positively influence international standards so that the New Zealand context is well considered early in the development of standards."*
Comments related to SMC 2 - PIRs	
IPSAS 35 - Consolidated Financial Statements	
Note the relevance of the IPSAS 35 PIR to transitional jurisdictions and Pacific governance structures, where the control principle presents particular practical challenges.	**No change to DCL** – The draft comment letter is intended to reflect New Zealand needs and perspectives, informed by domestic outreach and evidence. While an issue affecting Pacific Island jurisdictions was raised through one submission, we do not have sufficient insight into Pacific Island jurisdictions or broader corroborating evidence to comment meaningfully on this matter.
General comments	
It may be worth reinforcing the cumulative impact of multiple concurrent reforms on **local government.** As NZASB considers its future work programme, careful sequencing, proportionality, and clarity of reporting will be important to avoid compounding implementation and assurance burdens while still delivering on the planned work programme – which is well understood. I don't expect any changes to the document – was just more to ensure this is considered during rollout of the work programme	**No change to DCL** – We are aware that the reforms currently affecting the local government sector are wide-ranging and place significant demands on sector resources. The draft comment letter was developed with all public sector entities (tier 1 and tier 2) in mind. More broadly, as set out in XRB's Statement of intent, the XRB is commencing a review of the accounting standards framework to ensure our reporting frameworks remain fit for purpose and future focused. This will include consideration of local developments, in particular those relevant to local government.

Feedback received	Rational for amending/not amending in the draft comment letter
Editorial corrections	
Paragraph 11 refers to IPSAS 47 *Transfers Expenses*	**DCL amended** – Corrected to IPSAS 48 *Transfer Expenses*
The comment letter should say to "New Zealand stakeholders have extensive experience in implement IPSAS" rather than "XRB has extensive experience in implementing IPSAS"	**DCL amended** – Wording changed within the cover letter.

16. In addition to the changes mentioned in the Table 1 we did some minor amendments to the paragraph 3 of the DCL to reflect recent development of IPSASB projects.

17. Comments related to SMC3 will be considered separately by the sustainability team and are therefore not included in the analysis above.

Draft comment letter

18. The updated draft comment letter, with changes from the previous version shared with the Board highlighted in blue, is attached as Agenda Item 8.1b.

Questions for the Board:

Q1. Does the Board have any **FEEDBACK** on the draft comment letter?

Q2. Does the Board **APPROVE** the draft comment letter, and, if any changes are required, delegate final approval to the Chair of the NZASB?

Next Steps

19. We will incorporate any comments raised at this meeting (if any) and we seek final approval of the comment letter from the Chair of the NZASB, the Chair of the SRB, and the delegated SRB member.

20. The final comment letter will be submitted before the IPSASB deadline of 4 May 2026.

Additional material

- Agenda Item 8.1b - Draft comment letter
- Agenda Item 8.1c – Comment letter from Carter Financial Consulting
- Appendix – Feedback from an independent respondent

Appendix: Feedback received through the XRB online submission form

Date: 22 March 2026

Name: [*Removed for privacy*]

Organisation: Independent

Email: [*Removed for privacy*]

Comment:

These views represent my own and not my employer.
I have read XRB's draft comment letter and have some comments to make on the key matters raised and the tone of the letter:

- Page 1/2 – These states the XRB has extensive experience in implementing IPSAS. I have reviewed the XRB's financial statements for the year ending 30 June 2025 and these appear to be simple and do not apply a lot of the complex requirements within the PBE IPSAS standards. New Zealand stakeholders have extensive experience in implement IPSAS, not the XRB. In addition, the tone of this part of the letter seems to be the XRB stroking its own ego and being self-serving to maintain a seat at the IPSAS table (as mentioned the XRB staff support the IPSAS member from New Zealand which the IPSAS surely already know). The XRB should make their recommendations based on New Zealand evidence, rather than trying to use politics to make themselves more credible.
- Paragraph 3 – The XRB seems to make comments about what other jurisdictions may or may not do and how confused other jurisdictions may be by the IPSAS architecture (but the XRB would not be confused). Again, the tone of this seems to be very self-serving and putting other jurisdictions down, and that only the XRB can understand what the IPSAS is doing (which is not true from the discussions I have had with international colleagues). I am unclear why the XRB is making hypothetical statements on behalf of other jurisdictions and not New Zealand and how these recommendations would benefit New Zealand stakeholders (again noting that the letter suggests the XRB won't be confused).
- Paragraph 11 – This refers to IPSAS 47 Transfers Expenses, however this is actually IPSAS 48.
- Paragraph 14-23 – The XRB has already issued PBE IFRS 17 which is an equivalent standard to IFRS 17, and we have already spent a considerable amount of costs upskilling our staff and changing our systems so that we can implement these requirements next year. There seems to be no benefit for the XRB encouraging the IPSAS to develop an international standard based on IFRS 17 that follows PBE IFRS 17 exactly and in fact will cause more costs for New Zealanders if changes are made. If the XRB does want to recommend this, then it should publicly commit to New Zealand stakeholders that taxpayer money will not be spent on this, given there is no benefit to New Zealand stakeholders as a result of the IPSASB doing this.
- Paragraphs 38 -49 – My understanding is the XRB does not issue public sector sustainability standards and does not have the legal mandate to do so. I am concerned with the XRB using taxpayer money focusing on matters which will not be relevant to New Zealand. As above, if the XRB does want to recommend this, it should publicly commit to New Zealand stakeholders that taxpayer money will not be used in these endeavors.

Thank you for considering these comments.

XRB | Te Kāwai Ārahi Pūrongo Mōwaho EXTERNAL REPORTING BOARD

[4 May 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) and responsibility for issuing climate standards to the Sustainability Reporting Board (SRB). 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 SRB maintains the Aotearoa New Zealand Climate Standards. This comment letter was developed jointly by the NZASB and the SRB.

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 that we believe will assist the IPSASB in considering its work programme, as outlined below.

- Larger New Zealand public benefit entities have experience in applying IPSAS-based standards. The XRB issues accounting standards for New Zealand larger public benefit entities that are primarily based on IPSAS, with some adaptations. The modifications we have made to IPSAS following stakeholder consultation, and the application challenges we hear about, could be useful indicators of areas where IPSAS could be improved or where a post-implementation review (PIR) would be beneficial.

- XRB staff support the IPSASB member from New Zealand with technical advice. This helps us keep up to date with IPSASB projects and obtain early feedback from key New Zealand stakeholders to understand how these proposed developments might impact financial reporting. It also helps us identify, at an early stage, additional areas for improvement and potential implementation challenges where further standard setting may be needed to be fit-for-purpose in New Zealand.
- The XRB is a member of the IASB's Accounting Standards Advisory Forum (ASAF) and New Zealand also has experience in applying IFRS Accounting Standards, which positions us well to comment on IASB projects that may be relevant to the IPSASB (and vice versa).
- The XRB maintains the Aotearoa New Zealand Climate Standards (NZ CS) which are mandatory for a climate reporting entities[1]. NZ CS focusses on physical and transition risk, greenhouse gas emissions and other matters strongly aligned with The Task Force on Climate-related Financial Disclosures (TCFD).
- The XRB has initiated a broader sustainability reporting project under its mandate to issue non-binding guidance that relates to non-financial reporting. The initial output of that project is He Tauira, a new voluntary conceptual reporting framework embedded in indigenous thinking, specifically a Māori world view. He Tauira encourages entities to report on the non-financial impacts of its decision-making, including intergenerational impact.

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 *Reporting on the Long-term Sustainability of an Entity's Finances* and RPG 3 *Reporting Service Performance Information* 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. This is particularly important for jurisdictions such as New Zealand, where a number of large and complex "mixed group" entities operate across both the public and private sectors and are required to prepare consolidated financial statements while applying both IPSAS- and IFRS-based requirements across different components. 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 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.

[1] As prescribed by Parliament in the Financial Markets Conduct Act 2013.

Once insights have been gathered from the architecture research project and the ongoing climate-related disclosure project, the IPSASB should begin scoping work on a potential general-sustainability related disclosures project in collaboration with other standard setters and informed by relevant research.

Regarding post implementation reviews (PIRs), we recommend the IPSASB commence PIRs of IPSAS 40 *Public Sector Combinations* and IPSAS 35 *Consolidated Financial Statements*.

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 Accounting@xrb.govt.nz or Sustainability@xrb.govt.nz.

Yours sincerely

Dr Carolyn Cordery

Chair, New Zealand Accounting Standards Board

Becky Lloyd

Chair, Sustainability Reporting 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 entire general purpose financial reports (GPFR), some applying to general purpose financial statements (GPFS), and some applying only to information outside of GPFS but within the GPFR. 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 the need 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 SRSs to follow; and
    - The IPSASB's Conceptual Framework, which refers broadly to GPFR and 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 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 guidance based on RPG 1 and RPG 3.

In New Zealand, the definition in PBE IPSAS 1 refers to GPFR consistently with the PBE Conceptual Framework, where GPFR includes both the financial statements and service performance information[2].

In jurisdictions that apply IPSAS-based standards using the same definition of materiality as IPSAS 1, that is, where the definition of material refers to GPFS, the difference between this definition and the description of materiality within the Conceptual Framework could lead to challenges and diversity in practice. The lack of clarity as to whether sustainability information should be considered when making materiality judgements in preparing the financial statements should be considered as part of this architecture project.

- In the NZASB's comment letter on IPSASB ED 92 *Tangible Natural Resources*, we noted that certain disclosures intended to help users understand environmental accountability and management of natural resources may be more appropriately included in GPFR rather than in GPFS. This illustrates the importance of clarifying the boundaries of GPFS and GPFR and of distinguishing between information that belongs in GPFS and information that is better presented elsewhere in GPFR.
- 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. It covers information on the services that the entity provides, an entity's service performance objectives and the extent of its achievement of those objectives and it may or may not include 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*. This involves a proposal to introduce a new type of IPSASB document, a 'Practice Statement'. The proposal to add a new category to the IPSASB literature further highlights the need for the architecture project, as it will be important for the IPSASB to clearly explain the nature and applicability of a Practice Statement, and how it differs from existing non-authoritative material, to avoid potential confusion.

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 RPG 3 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

[2] Please note that IPSASB SRS are not adopted in New Zealand

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 IPSASB 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 for each part. 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.

8. This alignment is particularly important for jurisdictions such as New Zealand, which has large and complex "mixed group" entities (i.e. groups that encompass both public sector entities that apply IPSAS and for-profit entities that apply IFRS Accounting Standards). In addition, ongoing increased cooperation between governments (both central and local) and private sector could further add to the number and complexity of these groups. Maintaining alignment with IFRS Accounting Standards where appropriate supports the use of consistent accounting policies and facilitates the preparation of consolidated financial statements across such mixed groups.

9. 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*, which added illustrative examples around disclosures of different uncertainties.

10. 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.

11. While maintaining alignment with IFRS Accounting Standards 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. It would also be important that the IPSASB 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 48 *Transfer Expenses*.

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

13. 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. We recommend that the IPSASB carefully monitor the IASB project, evaluate the IASB's proposals in a timely manner and consider whether corresponding updates to IPSAS 31 would be appropriate and whether additional public sector-specific guidance is needed.

IFRS 17 *Insurance Contracts*

14. 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 cumulatively 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.

15. Looking ahead, we expect the significance of public sector insurance arrangements to increase. As impacts of climate change intensify, private insurers are increasingly withdrawing from, or significantly restricting, coverage for certain high-risk hazards and regions. In these circumstances, governments may need to step in to provide insurance coverage, effectively acting as "insurers of last resort". Such a trend would result in a growing volume of insurance contracts in the public sector.

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

17. 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 risk that global comparability and consistency will be undermined. Should several jurisdiction-specific standards be in place, achieving global public sector alignment would likely be more difficult and costly, as jurisdictions would need to revisit and potentially amend standards that have already been implemented.

18. 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 sector compared to the private sector and that IFRS 17 can be adopted in the public sector without significant modifications.

19. 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.

20. For example, paragraph 16 of IFRS 17 requires entities 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.

21. 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 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.

22. 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 (paragraphs BC13–BC335)/ the Basis for Conclusions on AASB 2022-9.

23. 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 in New Zealand. 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.

24. 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 40 *Public Sector Combinations*

25. We recommend the IPSASB commence a post implementation review (PIR) of IPSAS 40 *Public Sector Combinations*. 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.

26. 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).

27. 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.

28. A 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 other anticipated challenges and how well these modifications are working in practice. A PIR will also help assess whether further international guidance is needed and whether the standard is suited for jurisdictions transitioning into IPSAS.

29. The use of IPSAS 40 has a "Medium" prevalence in the public sector, as central and local governments continue to introduce service delivery reforms, administrative restructurings and similar initiatives aimed at improving the efficiency and effectiveness of public services. These reforms often result in restructurings and amalgamations within the scope of IPSAS 40.

IPSAS 35 *Consolidated Financial Statements*

30. We broadly agree with the IPSASB's assessment of the prioritisation criteria and we consider a PIR of IPSAS 35 *Consolidated Financial Statements* to be of higher priority. 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 the Basis for Conclusions to PBE IPSAS 35 (paragraphs BC4 – BC10).

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.

Other potential PIRs

IPSAS 43 Leases

33. 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 PIR of IFRS 16 *Leases*. The NZASB is yet to decide when the PBE IPSAS 43 project should recommence.

34. In December 2024, the NZASB decided not to adopt the IPSASB's amending standard *Concessionary Leases and Other Arrangements Conveying Rights over Assets,* as New Zealand stakeholders raised significant conceptual and cost-benefit-related concerns 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*.

35. 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.

36. 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 consider it important that the IPSASB takes into account the IASB's findings from the IASB's PIR of IFRS 16 and reflects any relevant changes arising from that PIR into IPSAS 43 in a timely manner. Commencing the PIR of IPSAS 43 before 2030 (five years after the effective date of the Standard) could help avoid two separate rounds of amendments to the standard - first to align with IFRS 16 (if needed) and later in response to the PIR of IPSAS 43.

IPSAS 41 *Financial Instruments*

37. 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. New Zealand public sector entities have a range of complex financial instruments and encounter application challenges. A PIR would help identify and address those challenges. Also, the IASB's experience demonstrates that PIRs of complex standards such as IFRS 9 can be significant and resource-intensive. This suggests that a PIR of IPSAS 41 is also likely to be a substantial project and should therefore be planned and timed with care.

38. We acknowledge the IPSASB's indication that PIRs will generally not commence until at least five years after the effective date of a standard, therefore we understand that a PIR would not start before 2028.

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.

Current sustainability reporting projects and upcoming projects:

Climate-related disclosures project

39. We support the continuation of Phase 1 implementation of the Climate-related disclosures project and emphasises the importance of sharing the value of adopting the framework for both preparers and users. We encourage leaning on existing networks such as the IPSASB's Sustainability Implementation Forum to drive early adoption and integration into willing public sector organisations.

40. We also support the continuation of Phase 2 of the project. As the IPSASB turns its attention to Phase 2, we encourage revisiting the underlying purpose of the project rather than being limited to the direction given in the 2025 Exposure Draft. Ensuring early and further clarity on the specific decisions that the standard or guidance is trying to inform, the scope and primary users of this reporting will support the IPSASB to develop a durable, implementable and useful output at the right reporting level in the public sector.

41. A practical example is the definition of *primary user* which we suggest is currently too broad to enable adequately targeted information for decision-making purposes. By trying to provide material information to such a wide range of users, it may end up being immaterial to all. We are also concerned that attempting to identify what is relevant to a broad user base may also make the timely issuance of a standard challenging.

42. Our view is that the reporting needs of specific users are likely to be different when considering public policy relating to climate. For example, sovereign bond investors needs are likely to be vastly different to those of service recipients. For the purpose of climate outcomes relating to public policy, we suggest that the IPSASB should examine whether a sub-set of primary users may be more suitable. This is because it would enable reporting entities to focus on the material information that can directly inform specific decisions. To continue the example of sovereign bond investors, this is likely to be highly specific information relating to future investment outcomes. Such information is likely to be of less relevance to citizens whose needs are more focused on accountability for public policy decisions.

43. To enable the IPSASB to make appropriate decisions on purpose, scope, primary users etc., we strongly encourage a focus on understanding the specific decisions that the users of this reporting are expected to make. Taking a decision-focused approach in the development of a new standard or guidance enables a clearer line of sight between the standard and the desired outcome.

Architecture research project

44. To reiterate our opening comments in SMC 1, we suggest that the architecture research project into the IPSASB's existing suite of literature should be prioritised first as this will set the foundation and direction for any future sustainability projects.

Potential sustainability and other reporting projects:

General sustainability-related disclosures

45. We support the IPSASB exploring the development of principles for public sector entities to disclose sustainability-related information leveraging existing frameworks such as IFRS S1, noting the potential value of an overarching sustainability framework.

46. Before committing to a standalone project, we suggest taking learnings from the architecture research project, and phases 1 and 2 of the climate-related disclosures project to ensure the IPSASB is in a more informed position to make strategic decisions on future work of the IPSASB.

47. As noted in the IPSASB staff paper on potential projects, consideration should be given to existing non-authoritative guidance in RPG 1 and RPG 3, not only in regard to the intended purpose of RPG 1 and RPG 3 but also the uptake and usefulness of existing literature.

Recommended Practice Guidance (RPG)

48. Consequently, and as mentioned in the IPSASB staff paper on potential projects, we suggest that the potential projects covering authoritative guidance based on RPG 1 and RPG 3 should be revisited once the outcomes of the architecture research project (and a potential general sustainability-related disclosures project) are known allowing the potential RPG project(s) to be scoped and phased appropriately. This will ensure that the IPSASB is more informed about user needs, clearer on its reporting architecture and not committing itself to a research or scoping project before it understands the bigger picture.

49. Any potential project on RPG 1 or RPG 3 should entail a research phase in and of itself to understand who is using the guidance, how (i.e. mandatory or voluntary, conceptually aligned), the usefulness to preparers and users, and the challenges faced by preparers in reporting this information.

Nature-related disclosures

50. We encourage a staged approach to this important and developing area. We suggest maintaining close connections with other standard setting bodies such as the International Sustainability Standards Board (ISSB) as new nature-related standards are developed to enable the IPSASB to provide a public sector lens when appropriate. This can coincide with research and monitoring of practical reporting across public sector entities before committing to a full standard setting project. This will help the IPSASB to balance limited resources and focus on what the IPSASB can deliver in the near term.

CARTER FINANCIAL
CONSULTING

3 April 2026

Tereza Bublikova

New Zealand Accounting Standards Board

External Reporting Board

Level 6, 154 Featherston Street

Wellington 6011

By email: Tereza.Bublikova@xrb.govt.nz

Dear Tereza

Feedback on XRB Draft Comment Letter - IPSASB 2025 Work Programme Consultation

Thank you for the opportunity to provide feedback on the XRB's draft comment letter to the IPSASB regarding its 2025 Work Programme Consultation.

My comments are offered from the perspective of a New Zealand Chartered Accountant working in Pacific public sector financial reporting. I currently provide financial reporting advisory services to the Cook Islands Ministry of Finance and Economic Management (MFEM), assisting the Cook Islands Government in preparing its backlog of outstanding annual financial statements under international IPSAS. I also provide CFO-level advisory services to Te Aponga Uira, the Cook Islands' sole electricity utility, which reports under NZ PBE RDR IPSAS.

I have reviewed the draft letter alongside the IPSASB's Work Programme Consultation document and the accompanying Potential Projects paper. Overall, I consider the draft letter to be a substantive and well-reasoned submission. The positions taken on the architecture project, IFRS 17, the IFRS alignment projects, and the PIR priorities are well-supported, and I broadly endorse them. I offer the following specific comments, which I hope may be useful in finalising the letter.

Comments on Specific Matter for Comment 1 - Financial Reporting Projects

Architecture Project (paragraphs 1–6)

I strongly support this recommendation and the reasoning given. I would suggest the XRB consider adding a sentence acknowledging the particular importance of this project for jurisdictions that are still transitioning to IPSAS. In my experience working with Pacific public sector entities, the question of which IPSASB pronouncements are mandatory versus best-practice guidance is not merely an academic one - it is a practical concern for preparers, auditors, and oversight bodies alike. Even in jurisdictions that have been on IPSAS for a number of years, practitioners and government finance teams regularly encounter uncertainty about what the full suite of IPSASB literature requires of them versus what is recommended good practice. The current architecture of the literature makes that distinction harder than it should be. Noting this dimension would reinforce the public interest case for the project beyond the New Zealand context.

IFRS 17 Insurance Contracts (paragraphs 14–24)

The XRB's case for upgrading the feasibility rating from Medium to High is compelling and well-evidenced. I fully support this position.

One further angle the letter could consider is that the absence of IPSAS guidance on insurance contracts creates a disproportionate burden on smaller and lower-capacity jurisdictions. An entity operating a government-backed quasi-insurance or social insurance scheme has limited ability to independently navigate the IPSAS 3 hierarchy and develop robust accounting policies based on IFRS 17. This is a demanding technical exercise even for large, sophisticated entities. This strengthens the *consequences* case beyond the large-government insurance liability context cited in paragraph 14, and may help address the IPSASB staff's Low rating on that criterion.

Comments on Specific Matter for Comment 2 - Post Implementation Reviews

IPSAS 35 - Consolidated Financial Statements (paragraphs 29–31)

I support this recommendation. The XRB's comments on the predetermination guidance and its limitations in the New Zealand context are well-made. I would add that the challenges of applying the control principle may be even more acute in Pacific Island jurisdictions, where institutional structures frequently involve hybrid entities, statutory bodies with mixed ownership characteristics, and governance arrangements that do not map neatly onto the IPSAS 35 framework. If the XRB wished to add a sentence noting the relevance of this PIR to transitional and developing-country jurisdictions more broadly, I believe it would strengthen the submission.

IPSAS 40 - Public Sector Combinations (paragraphs 25–28)

I support this recommendation. The New Zealand modifications described are instructive, and the challenges are likely to be replicated in Pacific jurisdictions that are themselves mid-transition to IPSAS - particularly the difficulty of applying the modified pooling of interests method where one combining operation has not previously applied accrual-based standards at all.

Comments on Specific Matter for Comment 3 - Sustainability Reporting Projects

Climate-related Disclosures (paragraphs 38–42)

I support the XRB's emphasis on a decision-focused approach and a more targeted definition of primary user. The point about the breadth of the current definition potentially resulting in information that is immaterial to all users is important and well-made.

From a Pacific perspective, I would note that climate change represents an existential financial risk for many Pacific Island governments, and the ability of IPSAS to support meaningful accountability for climate-related financial exposures is of direct relevance. A tighter primary user definition - focused on those making specific, identifiable decisions - would make the reporting more actionable for these governments, which face acute physical risk but have limited reporting capacity. The XRB may wish to consider briefly acknowledging the relevance of this project to small island developing states, as this would reinforce the global public interest case.

Architecture Project Sequencing (paragraph 43)

The recommendation to prioritise the architecture project before committing to further sustainability reporting projects is sound and I fully endorse it. For jurisdictions still working out what existing IPSAS requires of them, adding further sustainability layers before the foundation is settled risks compounding rather than reducing adoption barriers.

Summary

The XRB's draft letter makes a strong and well-evidenced submission. My principal suggestions for the XRB's consideration are:

- Add a sentence in the architecture project section acknowledging the particular importance of this clarification for jurisdictions that are transitioning to IPSAS, where the mandatory/voluntary distinction has immediate practical consequences.
- Strengthen the IFRS 17 consequences case by noting the burden the current gap places on lower-capacity entities and jurisdictions that cannot readily apply the IPSAS 3 hierarchy to derive policies from IFRS 17 themselves.

- Note the relevance of the IPSAS 35 PIR to transitional jurisdictions and Pacific governance structures, where the control principle presents particular practical challenges.
- Consider briefly acknowledging the relevance of the climate-related disclosures project to small island developing states, consistent with IPSASB's adoption and implementation mandate.

I hope these comments are useful.

Yours sincerely

Nicholas Carter CA

Carter Financial Consulting

Auckland, New Zealand

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Memorandum

To:	NZASB Members
Meeting date:	23 April 2026
Subject:	**Analysis of stakeholder feedback on the binding arrangement principle**
Date:	2 April 2026
Prepared by:	Carly Berry and Leana van Heerden
Through:	Gali Slyuzberg; Nimash Bhikha; Michelle Lombaard

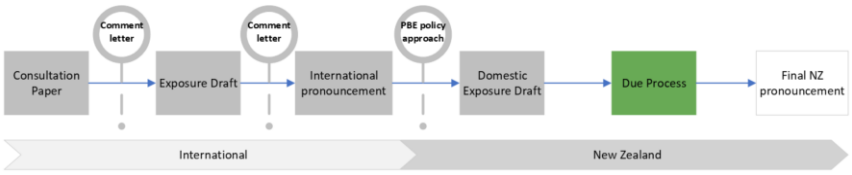
☒ **Action Required** ☐ **For Information Purposes Only**

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	**High complexity** • **AGREE** with our recommended actions in response to stakeholder feedback on certain aspects of the binding arrangement principle**.**

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.

2. In June 2025 we published ED PBE IPSAS 47 *Revenue* (revenue ED) and ED PBE IPSAS 48 *Transfer Expenses* (transfer expenses ED) (collectively, the EDs) for public consultation over a six-month period, closing on 1 December 2025. At the February 2026 meeting, we presented 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. This 'What we heard' document has now been published on our website (see link here).

3. At this meeting, the Board will start to consider our analysis of, and recommended actions in response to, the stakeholder feedback received on these consultations. In this agenda item, we present the first part of our analysis of the stakeholder feedback relating to the **binding arrangement principle**, as well as our recommended actions in response.

4. Agenda item 9.1b includes those matters arising from the feedback **across all aspects** of the EDs that we recommend referring to the IPSASB Application Group (IAG). We consider that there is benefit in resolving these matters through consideration at an international level, rather than addressing them domestically, and that the IAG would be a suitable mechanism for this purpose. Where applicable, in this agenda item we refer the Board to agenda item 9.1b.

Recommendation

5. We recommend that the Board **AGREES** with our recommended actions in response to stakeholder feedback on certain aspects of the binding arrangement principle.

Summary of recommended actions

6. We recommend:

   (a) **No further action** with respect to:

      i. the concept of a binding arrangement (defined in the EDs) being the fundamental principle underpinning the accounting for revenue and transfer expenses (paragraph 16-18),

      ii. providing guidance on what the rights and obligations would be in a transaction involving ticket sales for a charity event (and whether this transaction involves a binding arrangement) (paragraph 51-54).

   (b) Providing **adoption and implementation support**:

      i. to assist stakeholders with the challenges relating to the practical application of the binding arrangement principle (paragraph 19-25).

      ii. to assist both entities' and auditors' understanding of 'enforceability', particularly by clarifying the roles of rights, obligations and remedies in the

arrangement, through highlighting the relevant guidance in the EDs (paragraph 28-29).

iii. to highlight that disclosure of significant judgements relating to enforceability assessments is covered by ED PBE IPSAS 48 paragraph 61 (if related to transfer right assets) and paragraph 137 in PBE IPSAS 1 *Presentation of Financial Reports* (paragraph 30-34).

iv. to highlight that the binding arrangement definition in PBE IPSAS 47 and PBE IPSAS 48 is for the purposes of those standards only (paragraph 35-39).

v. to highlight that enforceability may arise from various mechanisms and an entity needs to use judgement and objectively assess all relevant factors, especially in scenarios where delivery timeframes are not specified or where consequences are not being enforced (paragraph 41)

vi. to assist with concerns about the placement of paragraph 56 in the revenue ED and potentially different accounting treatments for economically similar enforceable obligations (paragraph 44-50)

vii. to assist entities with how to support their binding arrangement assessments to their auditors in situations where terms are oral or implied (through facilitation of discussions between stakeholders) (paragraph 58-60).

(c) **An addition to the authoritative text of the EDs** – that moves Implementation Guidance paragraph B.2 (in both EDs) to the Application Guidance section of the EDs (paragraph 41).

Structure of this agenda item

7. This memo includes following sections:

(a) Overview of the binding arrangement principle

(b) Process followed to analyse stakeholder feedback

(c) Topic 1: Concept of a binding arrangement

(d) Cross-cutting theme – Concerns about cost, judgement, time or resourcing implications of applying the enforceability principle

(e) Topic 2: Enforceability principle

(f) Topic 3: Rights and obligations

(g) Topic 4: Oral or implied arrangements

(h) Next steps

8. The following agenda item accompanies this memo as supporting information:

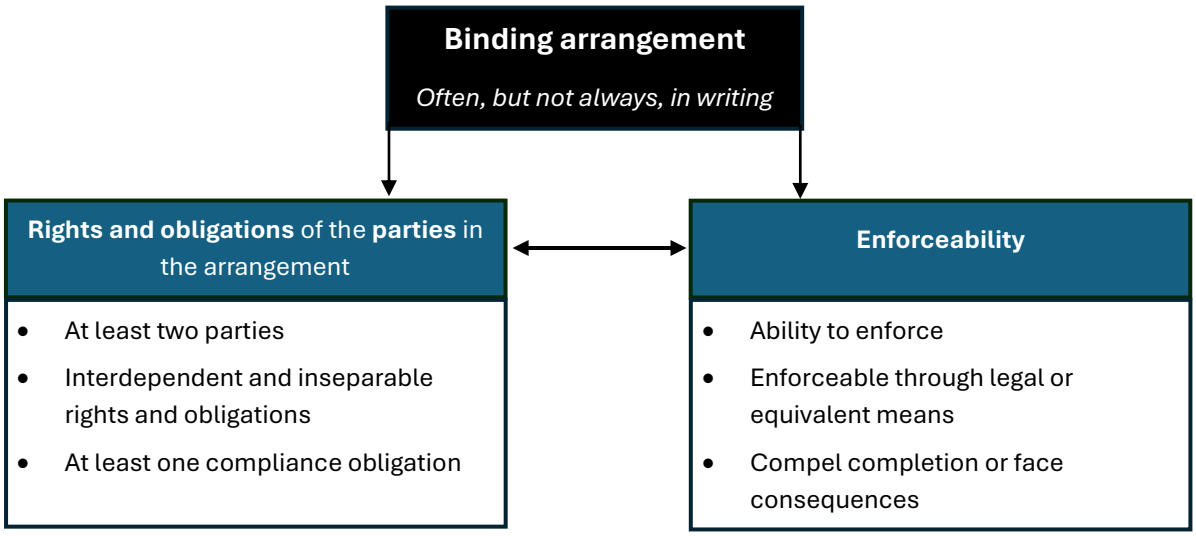
(a) Agenda item 9.1c: Detailed compilation of stakeholder feedback on the binding arrangement principle (Board-only)

Overview of the binding arrangement principle

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

10. The concept of a binding arrangement is fundamental to both EDs. The existence (or absence) of a binding arrangement drives the accounting treatment for revenue and transfer expense transactions, to the extent that the accounting treatment of a transaction with a binding arrangement differs substantially from one without a binding arrangement.

11. The diagram below summarises the two key interrelated elements to the definition of a binding arrangement.



12. The two elements are interrelated, because for an arrangement to be enforceable there must be:

    (a) distinct rights and obligations for each involved party; and

    (b) remedies for non-completion by either party which can be enforced through the identified enforcement mechanisms.

13. For more information on the binding arrangement principle, refer to the revenue ED/[transfer expense ED] paragraphs 9 – 16 /[10 – 17] and Application Guidance paragraphs AG10 – AG31/[AG11 – AG29].

Process followed to analyse stakeholder feedback

14. As noted at the February 2026 meeting, we engaged with over 300 stakeholders and received eight written submissions (available on our website here). Our process to address the feedback received from stakeholders is set out below.

    (a) We decided to analyse the feedback relating to the binding arrangement principle first. This is a logical starting point, as any significant issues with this principle identified through the consultations could lead to fundamental changes to the accounting models in the EDs (and could, therefore, affect our responses to the rest of the feedback received on the consultations).

(b) We identified **87 comments** from stakeholders relating directly to the binding arrangement principle. These comments were made largely in response to Consultation Question 2 in both the revenue and transfer expense ED consultations: ***Do the binding arrangement, enforceability, compliance obligation 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?*** However, to allow the Board to consider all the feedback on the binding arrangement principle in an efficient manner, our analysis in this memo also includes comments made on other consultation questions, where they directly relate to the binding arrangement principle.

(c) To assist with our analysis, we have grouped these 87 comments into **seven topics**, based on the subject matter to which the comment predominantly relates – see table below.

Topic	Number of comments	Paragraph ref in this memo
1. Concept of a binding arrangement	14	16 – 18
2. Enforceability principle	17	19 – 25, 26 – 41
3. Rights and obligations	9	19 – 25, 42 – 54
4. Oral or implied arrangements	7	19 – 25, 55 – 60
5. General implementation challenges	23	Not included in this memo (future discussion)
6. Contracting practices	10	
7. Other	7	
Total	**87**	

Note: in certain circumstances:

- *a single comment from a stakeholder may be split among two or more topics*.
- *a stakeholder may have made several comments relating to the same topic*.

(d) Due to the high number of comments, we have decided to provide the Board with our analysis on **four** of these topics at this meeting (see grey highlighted rows in the table above). The other topics will be addressed at the June meeting.

(e) We have analysed each comment to determine our recommended action, being one of the five actions in the table below.

A	Addition/amendment to **authoritative text** within the ED(s) (i.e. core text or Application Guidance paragraphs)
B	Addition/amendment to **non-authoritative text** within the ED (i.e. Implementation Guidance paragraphs, illustrative examples, Basis for Conclusion paragraphs)
C	Adoption and implementation support

D	Refer to the IPSASB Application Group[1]
E	No further action required

15. Agenda item 9.1c sets out all the comments received on the binding arrangement principle. We have given each comment a unique number which we will use to refer Board members back to that agenda item throughout the analysis.

Topic 1: Concept of a binding arrangement

16. The 14 comments within this topic relate specifically to stakeholders' views on the conceptual soundness of the core principle and whether they agree with its place at the heart of the accounting for revenue and transfer expenses.

Topic: Concept of a binding arrangement Comments by sector and ED			
	Public sector	**Not-for-profit**	**Both**
Revenue ED	1	1	0
Transfer expenses ED	1	0	1
Both EDs	6	1	3

Topic: Concept of a binding arrangement	
Respondent	**Number of comments**
Treasury	2
Auckland Council	1
CAANZ	1
Outreach feedback	10
Total	**14**

Analysis and recommended actions (comment #2, 4, 6, 14, 20, 23, 24, 26, 29, 31, 39, 47, 55, 58)

17. All 14 comments were in support of the binding arrangement principle from a conceptual point of view. Several comments noted that this principle is a better, or more improved, principle upon which to base the accounting for revenue and transfer expenses – particularly for revenue.

18. Based on this feedback considered to date, we have **not** identified any reasons to recommend a change to the concept of a binding arrangement, which is the fundamental principle underpinning the accounting for revenue and transfer expenses. However, we

[1] See agenda item 9.1b for more detail on this action.

will reassess whether any clarifications are required, based on the analysis of feedback received on the other topics.

Recommended action

E	No further action required

Question for the Board:

Q1. Does the Board **AGREE** with the recommended action on Topic 1?

Cross-cutting theme – Concerns about cost, judgement, time or resourcing implications of applying the binding arrangement principle

(comment #12, 22, 28, 32, 33, 34, 37, 41, 42, 43, 44, 45, 46, 48, 49, 51, 53, 56, 60, 71, 72)

19. Before we continue with the analysis by topic, we note that there were 21 comments relating to concerns about the cost, judgement, time and resourcing implications of practical application of various aspects of the binding arrangement principle, particularly for less-resourced entities. These concerns cut across the remaining three topics under consideration in this agenda item. In particular, respondents noted the following areas of judgement which may be challenging for stakeholders:

    (a) Determining whether there is enforceability through 'equivalent means' (with one respondent questioning its relevance in New Zealand)

    (b) Assessment of the relevant enforcement mechanisms

    (c) Arrangements that are not sufficiently specific about the rights and obligations

    (d) Distinguishing between a compliance obligation and a general expectation

    (e) Challenges with outcomes-based contracts, and arrangements with oral or implied terms (including rights and obligations that are implied rather than explicit) – making it challenging to identify the enforceable rights and obligations of the parties (and therefore, whether there is a binding arrangement).

20. As a result of the judgemental nature of the binding arrangement principle, many respondents also noted potential challenges with getting agreement between entities and external audit.

21. We note that these comments concern the practical application of the principle, rather than its conceptual soundness. As noted in paragraphs 16 – 18 of this memo, respondents were broadly supportive of the binding arrangement principle from a conceptual point of view.

22. We have considered whether these 21 comments provide evidence of insufficient guidance or illustrative examples within the EDs to support the application of the binding arrangement principle. In our view:

(a) These comments demonstrate the challenges inherent in principles-based accounting, whereby significant judgements are dependent upon the unique facts and circumstances of the arrangement and the entity applying the principles. Additional illustrative examples or application guidance would not address these challenges, as we cannot develop guidance that will address every possible circumstance in practice.

(b) Both EDs contain sufficient guidance to assist entities in applying the binding arrangement principle:

i. ED PBE IPSAS 47 paragraphs 11 – 16, AG10 – AG31, IG Section B and illustrative examples 3 – 7.

ii. ED PBE IPSAS 48 paragraphs 10 – 17, AG11 – AG29, IG Section B and illustrative examples 3 – 4.

23. As a result, we **do not** recommend adding additional guidance to the EDs. Instead, we consider that there may be scope to address respondents' concerns by other means, such as:

(a) Dedicated workshops / roundtables aimed at exploring the application of the principle in real-time, with opportunities for stakeholders to engage with one another and with leaders within the sectors. We would look to co-host these types of events with practitioners and umbrella groups within the sectors, in order to ensure a combined effort across the financial reporting landscape.

(b) Developing webcasts and / or webinars to spotlight areas of the standards which could help with implementation. For example, the transfer expenses ED allows for prospective application of the requirements to transfers occurring on or after the date of initial application. A dedicated webcast focusing on the requirements for transition will help to emphasise this cost-saving measure that already exists within the ED.

(c) Exploring additional transitional provisions for both standards to help with the costs of implementation, and other mechanisms such as a later mandatory date for these standards.

24. Throughout our engagement with stakeholders, we would highlight that judgement remains an essential part of these standards.

Recommended action

C	Adoption and implementation support

25. As noted in paragraph 23(c), adoption and implementation support may include additional transitional provisions, which would require amendments to the authoritative text of one or both EDs. Any amendments that we decide to recommend would be brought to the Board for consideration and approval at a future meeting.

Question for the Board:

Q2. Does the Board **AGREE** with the recommended action in paragraph 24?

Topic 2: Enforceability principle

26. The definition of a binding arrangement is underpinned by the principle of enforceability (see paragraphs 9 – 13 of this memo). The 17 comments within this topic relate specifically to stakeholders' views on the application of this principle when assessing whether a binding arrangement exists.

Topic: Enforceability **Comments by sector and ED**			
	Public sector	**Not-for-profit**	**Both**
Revenue ED	3	0	3
Transfer expenses ED	2	0	1
Both EDs	6	0	2

Topic: Enforceability	
Respondent	**Number of comments**
Greater Wellington Regional Council	1
Treasury	1
Auckland Council	2
CAANZ	3
OAG	4
Deloitte	1
Outreach feedback	5
Total	**17**

Analysis and recommended actions

27. Of the 17 comments:

(a) 10 contain concerns about the cost, judgement, time or resourcing implications of applying this principle **(refer to paragraphs 19 – 25 of this memo where these comments are addressed)**

(b) Two request a definition for 'enforceability' or 'enforceable obligation'.

(c) One relates to proposed disclosure requirements in the transfer expenses ED in the context of enforceability judgements.

(d) One noted the omission of a reference to 'equivalent means' in existing PBE Standards that contain a definition of a binding arrangement.

(e) Three request clarification on aspects of the requirements, noting specific fact patterns or circumstances.

Further analysis and recommended actions on comments under (b)-(e) are set out in paragraphs 28 – 41 below.

Definition for 'enforceability' and 'enforceable obligation' (comment #19 and 38)

28. Two respondents requested that definitions be added to one or both proposed standards. One respondent noted that a definition for 'enforceability' would be good for both EDs, as it is judgemental and could result in differences in opinion between an entity and external audit. The other respondent noted that it would be good for there to be a definition for 'enforceable obligation' in ED PBE IPSAS 47, despite there being explanations of the concept in the ED.

29. **Table 1** sets out our analysis and recommended actions.

Table 1

Suggested definition	**ED**	**Analysis and recommended action**
Enforceability (comment #38)	Both	'Enforceability' is not a defined term in these standards. We highlight that paragraphs AG16 and AG17 in the revenue ED and transfer expenses ED respectively address what 'enforceability' means: *An arrangement is enforceable when each of the involved parties is able to enforce its respective rights and obligations. An arrangement is enforceable by another party if the agreement includes:* *(a) Distinct rights and obligations for each involved party; and* *(b) Remedies for non-completion by either party which can be enforced through the identified enforcement mechanisms.* Paragraph AG16 quoted above refers to the term 'enforce' when explaining whether an arrangement is enforceable, which could be argued to be somewhat circular. However, other paragraphs in the revenue ED (e.g. AG20) refer to the ability to 'compel' the other party to fulfil its promises or seek 'redress' if promises are not satisfied, in the context of enforceability. Furthermore, paragraph B.2 in the implementation guidance discusses several factors to consider when assessing whether an arrangement is enforceable (refer to paragraph 41 for our recommendation relating to this paragraph). Consequently, it is our view that these standards have sufficient guidance on what is meant by 'enforceability'. Furthermore, the reason for the respondent's comment is a concern over the judgemental nature of the enforceability assessment, and the potential for a difference of opinion between auditors and preparers. A definition is unlikely to resolve these concerns, as the need for judgement will remain; therefore, we do not recommend developing a definition. Effective adoption and implementation support, highlighting the paragraphs mentioned above could better succeed in assisting both entities' and auditors' understanding of 'enforceability'.

Suggested definition	ED	Analysis and recommended action
		Recommended action **C** Adoption and implementation support
Enforceable obligation (comment #19)	Revenue	While the ED does not include a definition labelled "enforceable obligation", it nonetheless provides a detailed explanation of what enforceability means (as discussed above). Enforceability is deliberately framed as a characteristic of rights and obligations within an arrangement, rather than as a separate type of obligation. Introducing a definition of "enforceable obligation" risks creating conceptual overlap and boundary confusion with other defined terms that already exist in the ED and broader PBE literature. In particular a separately defined "enforceable obligation" could create boundary confusion with: • a compliance obligation as defined in the ED, which is a specific unit of account for revenue recognition in binding arrangements. • a liability as defined in PBE IPSAS 1, which is further explained in the Conceptual Framework and referred to in the revenue ED. More broadly, IPSAS literature generally relies on the concept of enforceability being explained through principles and application guidance, rather than by defining "enforceable obligation" and/or "enforceable rights" as standalone terms. The ED explains enforceability by reference to rights, obligations, and remedies, and requires entities to assess enforceability based on facts and circumstances, including legal and equivalent mechanisms. This principle-based approach allows the requirements to be applied across a wide range of public sector and not-for-profit arrangements without being constrained by a definition that may create boundary confusion. However, in light of the recommended action on the enforceability definition above, adoption and implementation support to supplement the guidance within the standard (such as those mentioned in paragraph 23 of this memo; and highlighting the AG paragraphs where "enforceability" is explained) could assist entities to better understand the enforceability principle, particularly by clarifying the roles of rights, obligations and remedies in the arrangement. **Recommended action** **C** Adoption and implementation support

Question for the Board:

Q3. Does the Board **AGREE** with the recommended actions in Table 1?

Proposed disclosure requirements in the transfer expenses ED in the context of enforceability judgements (comment #59)

30. One respondent suggested that, noting paragraph 61, we could give further thought as to whether the disclosure requirements in the transfer expenses ED capture the importance of the enforceability judgement. Paragraph 61 states that:

> *An entity shall disclose the significant judgements, and changes in judgements, made regarding the recognition of transfer right assets from transfer expense transactions. In particular, an entity shall explain the basis for the recognition of its transfer right assets.*

31. Paragraph 61 does not explicitly reference enforceability judgements. We have looked to the IPSASB Basis for Conclusions to help us understand the IPSASB's rationale for developing this disclosure requirement. Paragraph BC31(c) states that:

    Because expenditures for programs and activities are typically expensed in the statement of financial performance, the recognition of a transfer right asset is not in line with general expectations. Therefore, the IPSASB decided to require the disclosure of significant judgments that led to the recognition of transfer right assets.

32. There are no other disclosure requirements in the transfer expenses ED that specifically reference enforceability judgements. In contrast, the revenue ED includes disclosure requirement paragraph 170(b), which requires an entity to disclose in the notes the judgements and changes in judgements made that significantly affect the determination of the amount and timing of revenue, this disclosure requirement may also capture enforceability judgements.

33. Despite the lack of explicit reference to enforceability judgements, we consider that the disclosure requirements in the transfer expenses ED are sufficient to address the importance of enforceability judgements, for the following reasons:

    (a) Paragraph 61 already requires entities to disclose significant judgements (of which the enforceability judgement could be one) relating to the recognition of transfer right assets. By definition, recognition of transfer right assets is directly linked to the existence of **enforceable** rights within a binding arrangement.

    (b) Paragraph 137 in PBE IPSAS 1 *Presentation of Financial Reports* requires the disclosure of significant judgments, which will capture any other significant judgements made relating to enforceability, even if not directly relating to transfer right assets.

34. In light of our analysis, we do not recommend adding or amending any disclosure requirements in the transfer expenses ED. Instead, we recommend highlighting through educational support (such as a Need to Know webinar or an FAQ) that disclosure of significant judgements relating to enforceability assessments is covered by paragraph 61 (if related to transfer right assets) and paragraph 137 in PBE IPSAS 1 (if related to other areas of transfer expense accounting).

Recommended action

C	Adoption and implementation support

Question for the Board:

Q4. Does the Board **AGREE** with the recommended action in paragraph 34?

Omission of a reference to 'equivalent means' in existing PBE Standards that contain a definition of a binding arrangement (comment #52)

35. One respondent noted that existing PBE Standards do not refer to legal or 'equivalent means' in describing a binding arrangement. The respondent uses the example of paragraph 19(b) and 20 in PBE IPSAS 31 *Intangible Assets*. Paragraph 20 of PBE IPSAS 31 states that: *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*.

36. The revenue ED and transfer expense ED explain in paragraph AG15 and AG 16 respectively, that in some jurisdictions public sector entities cannot enter into legal contracts but that an arrangement may be enforceable through equivalent means. In addition, the IPSASB explains in the IPSAS 47 Basis for Conclusions paragraph BC31-BC32 why a binding arrangement is enforceable through legal or equivalent means when considering it from a revenue perspective:

    The IPSASB modified the requirements of IFRS 15 to address public sector-specific transactions. This included using the concept of a binding arrangement, which is broader than a contract, in IPSAS 47 to allow for jurisdictions where government and public sector entities cannot enter into legal contracts but do enter into binding arrangements which are in substance the same as contracts.

    The IPSASB modified enforceability to include mechanisms that are outside the legal system that are equivalent to legal means. This change was made because some binding arrangements in the public sector may arise and become enforceable through exercise of executive authority, legislative authority, cabinet or ministerial directives, and these binding arrangements would not be considered "contracts". The IPSASB also noted that legal or equivalent means is consistent with "legal obligation" as described in Chapter 5 of the Conceptual Framework, and is not a "non-legally binding obligation".

37. We note that, in addition to PBE IPSAS 31, five other PBE Standards include a definition of a binding arrangement:

    (a) PBE IPSAS 32 *Service Concession Arrangements: Grantor* (paragraph 8)

    (b) PBE IPSAS 35 *Consolidated Financial Statements* (paragraph 14)

    (c) PBE IPSAS 36 *Investments in Associates and Joint Ventures* (paragraph 8)

    (d) PBE IPSAS 37 *Joint Arrangements* (paragraph 7)

(e) PBE IPSAS 38 *Disclosure of Interests in Other Entities* (paragraph 7)

38. We note that each definition of a binding arrangement in the PBE suite (including those in the EDs) explicitly states that it is 'for the purposes of this Standard'. Accordingly, the definitions are not intended to be identical across the suite, nor do they contradict each other. Rather, they describe what constitutes a binding arrangement in the context of the specific transaction or topic addressed by each Standard. From a revenue and transfer expense perspective, the ED's reference to enforceability through legal or equivalent means is intended to address public sector-specific mechanisms through which binding arrangements may arise for these transactions.

39. Notwithstanding the above, we acknowledge that differences in phrasing across the suite may give rise to questions about whether the definition of a binding arrangement is intended to operate consistently across all PBE Standards. To mitigate the risk of misunderstanding, we recommend highlighting through educational support (such as a Need to Know webinar) that the binding arrangement definition in PBE IPSAS 47/48 is for the purposes of those standards only.

Recommended action

C	Adoption and implementation support

Question for the Board:

Q5. Does the Board **AGREE** with the recommended action in paragraph 39?

Request for clarification, noting specific fact patterns or circumstances as examples (comment #15, 67, 70)

40. Three respondents requested guidance relating to specific fact patterns or circumstances. We considered the issues arising from these requests and whether the EDs adequately address the specific issue, as well as similar issues.

41. Table 2 sets out our analysis and recommended actions.

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EXTERNAL REPORTING BOARD

Table 2

Issue	Relevant ED paragraphs	Analysis and recommended action
1. Where legislation establishes obligations but does not set completion timeframes, questions arise about enforceability, non-completion, and the timing of revenue recognition under PBE IPSAS 47 during extended processing periods. (comment #15)	**Revenue ED** Identify whether a binding arrangement exists: paragraphs 11-16 and AG10-AG31. Illustrative example 1 Case A-Case C. Revenue transactions without binding arrangements: paragraphs 17–29 and AG164–AG167 Revenue transactions with binding arrangements: paragraphs 56–105 and AG43–AG95	The revenue ED requires an entity to assess whether a transaction arises from a binding arrangement and whether it gives rise to enforceable rights and obligations. The assessment focuses on whether both parties are required to perform specified activities and whether there are consequences for non-performance. The absence of explicit timeframes, on its own, does not automatically prevent obligations from being enforceable, nor does it preclude recognition of revenue over time where performance occurs progressively. While the absence of explicit delivery timeframes may affect when an entity is considered to be in breach, it is not, in itself, determinative of enforceability. Enforceability depends on whether the arrangement (or legislation) enables the resource provider to objectively assess performance and compel completion or remedies in the event of non-performance as explained in AG15. Additionally, the standard requires that at inception of the arrangement, an entity shall use its judgement and objectively assess all relevant factors and details to determine if it has enforceable rights and/or obligations (i.e., what is enforced), and the implicit or explicit consequences of not satisfying those rights and/or satisfying those obligations (i.e. how it is enforced), as set out in paragraph B.2 in the implementation guidance (refer to Appendix 1). 'Non-performance' is determined by whether the entity has satisfied its obligation or been released from it, rather than by the length of time taken. Therefore, if the goods or services have not been delivered and the obligation has not otherwise been extinguished (e.g. withdrawal or lapse), a liability remains. The fact that refunds or remedies are rarely pursued in practice does not definitively determine enforceability. Paragraph AG25 states that if past experience with the resource provider indicates that the resource provider did not enforce the terms of the arrangement when breaches occurred, this "may indicate that such terms do not in substance hold the other entity accountable and the arrangement is not considered enforceable". However, if there is no past experience with the particular resource provider, or no history of breaches with the resource provider, and no "evidence to the contrary", then "the entity would assume that the resource provider would enforce the terms, and the arrangement is considered enforceable". Paragraph AG25 concludes that "An entity should consider any past history of enforcement as one of the relevant factors in

		its overall assessment of enforceability and whether the entities can objectively be held accountable for enforcing the rights and satisfying the obligations they agreed to in the arrangement". Additionally, the concepts in Illustrative Example 1 should be considered. This example does not suggest that the absence of specified timeframes alone precludes enforceability. In fact, Case B in this example notes that there is a specified timeframe and yet the conclusion is still that there is no enforceable obligation because other factors indicate a lack of enforceability. This example therefore demonstrates the principles-based nature of the requirements and that all facts and circumstances must be considered when making an enforceability assessment. We also considered the counter argument - requiring delivery timeframes to be explicitly specified in order for a binding arrangement to exist would be inconsistent with the principles-based approach in PBE IPSAS 47 and may result in outcomes that do not faithfully represent the substance of many PBE transactions. Many statutory services and fee-based arrangements intentionally do not prescribe delivery timeframes, yet still give rise to enforceable obligations, particularly where non-performance is observable and performance can ultimately be compelled. Introducing a requirement for specified timeframes could therefore inappropriately preclude enforceable arrangements, accelerate revenue recognition where obligations remain outstanding, and encourage form-driven structuring of arrangements without improving the quality or consistency of financial reporting. In cases such as immigration fees, applicants typically pay for the processing of an application, not for a guaranteed outcome. Accordingly, if it is concluded that the transaction is **with** a binding arrangement, revenue is recognised as the compliance obligations are performed, with a liability recognised for any unsatisfied obligations. If concluded that the transaction is **without** a binding arrangement, the requirements for that model would be followed. We consider that the revenue ED already provides a sufficient principles-based framework to address fees received for delivering a service where legislation does not specify delivery timeframes. While we acknowledge that a lack of specified timeframes coupled with long processing periods may increase implementation complexity, this reflects the need for judgement in the practical application of the Standard rather than a gap in the requirements. We therefore consider that the principles in the revenue ED are sufficiently clear. However: We consider that there is benefit in bringing paragraph B.2 from the non-authoritative Implementation Guidance into the authoritative text of PBE IPSAS 47, so that it is included in the authoritative Application Guidance section on enforceability, i.e. paragraphs AG14-AG25. As mentioned above, IG paragraph B.2 explains that in assessing the enforceability of an arrangement, *enforceability may arise from <u>various mechanisms</u>* and an entity needs to use judgement and objectively assess *<u>all relevant factors</u> and details* to determine if it has enforceable rights and/or obligations, and the consequences of

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<td>not satisfying these obligations. Paragraph B.2 also sets out relevant factors to consider in making this assessment, however, these factors are not intended to be exhaustive. Bringing B.2 into the authoritative application guidance would help to make it clear to preparers, via authoritative text, that the assessment of enforceability may not be dependent on a single enforcement mechanism or factor, but rather on the consideration of all enforcement mechanisms and relevant factors collectively. This in turn should help in understanding that the absence of explicit timeframes does not, on its own, automatically prevent obligations from being enforceable.

We also note that paragraph B.2 usefully brings together several aspects of the enforceability requirements and guidance in the standard, and bringing it into the authoritative part of the standard can be useful in addressing other matters raised by respondents (see below).

We recommend the same course of action for ED PBE IPSAS 48 Transfer Expenses, which also includes paragraph B.2 in its Implementation Guidance.

In addition to bringing paragraph B.2 into the authoritative text of both EDs, we can also highlight the guidance in this paragraph when undertaking adoption and implementation support activities on these standards, like webinars and webcasts.

Recommended action
<table>
<tr><td>A</td><td>Addition/amendment to authoritative text within the ED(s) (i.e. core text or Application Guidance paragraphs)</td></tr>
<tr><td>C</td><td>Adoption and implementation support</td></tr>
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<td>2. Whether a requirement to report expenditure to Government is, on its own, sufficient to establish a binding arrangement (and therefore classify the grant revenue as arising from a binding arrangement) – this comment was made in the context of</td>
<td>Revenue ED

Identify whether a binding arrangement exists: paragraph 11-16 and AG10-AG31</td>
<td>The ED defines a binding arrangement as an arrangement that confers both rights and obligations, enforceable through legal or equivalent means, on the parties to the arrangement.

The ED emphasises that enforceability is the foundation of the assessment and that enforceability may arise through legal or equivalent means, provided the mechanism(s) allow the entity to enforce the terms and hold parties accountable.

Implication for “reporting to the grantor”

A requirement to report is typically a procedural / administrative requirement. On its own, it may demonstrate that the grantor monitors spending, but it does not necessarily establish that the recipient has an enforceable obligation to (i) spend in a specified way, (ii) transfer distinct goods/services, or (iii) return funds (or suffer an enforceable remedy) if it does not.</td>
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</table>

illustrative example number 1, Case C. (comment #67)		We consider that the requirements in the revenue ED provide a clear and sufficiently robust basis for assessing whether a binding arrangement exists, with enforceability of rights and obligations being the determining factor. The ED does not indicate that a requirement to report expenditure, in isolation, is sufficient to establish a binding arrangement; rather, the assessment is grounded in whether the arrangement includes enforceable mechanisms that allow the grantor to hold the recipient accountable for non-compliance and either compel performance or seek remedies (e.g. by demanding the return of the funds provided). This principle is consistently articulated in the authoritative requirements and supporting guidance. In this context, Illustrative Example IE6 (Case C) appropriately demonstrates how enforceability may be established in practice, including through consequences such as the return of misused or unused funds. The inclusion of this fact pattern is considered illustrative of an enforcement mechanism – being the return of the funds – and not the administrative requirement to report expenditure. Furthermore, Implementation Guidance paragraph B.2 (refer to Appendix 1) notes that in assessing enforceability for the purpose of determining whether a binding arrangement exists, enforceability may arise from various mechanisms and an entity needs to use judgement and objectively assess *all relevant factors and details* to determine if it has enforceable rights and/or obligations and the consequences of not satisfying these obligations – rather than focusing on a single mechanism or factor. Accordingly, we consider that the ED, read as a whole, provides clear guidance and appropriately reflects the principle-based nature of the binding arrangement assessment. However, as noted above, we recommend moving paragraph B.2 from the Implementation Guidance into the authoritative Application Guidance in PBE IPSAS 47, to help highlight through authoritative text that the assessment of enforceability is not dependent on a single mechanism or factor, but rather on the consideration of all relevant factors collectively. Paragraph B.2 sets out relevant factors to consider in this assessment - these factors are not intended to be exhaustive. We recommend the action same for PBE IPSAS 48. **Recommended action** **A** Addition/amendment to **authoritative text** within the ED(s) (i.e. core text or Application Guidance paragraphs)

3. An obligation is enforceable but the consequences are not being enforced. For example, if an entity spent only 2/3 of amount they were given, but it's been a long time and funder has not been asking for the funds back. (comment #70)	**Revenue ED** Measuring progress towards complete satisfaction: paragraphs 98-105 and AG86-AG95 Allocating the transaction consideration to compliance obligations: Par 133-140 Resource Providers' Unexercised Rights: AG131-AG134 Paragraph AG25; AG30 IG section B.4	Where an arrangement includes terms that create enforceable rights and obligations, it will meet the definition of a binding arrangement and is therefore accounted for using the five-step binding arrangement model. However, whether an arrangement is enforceable may require judgement, and the entity needs to assess all facts and circumstances linked to the arrangements. Paragraph AG25 clarifies that historical non-enforcement is a relevant factor to consider in that assessment. In particular, if past experience indicates that the resource provider never enforces the terms when breaches occur, an entity may conclude that the terms are not substantive and that, in substance, the arrangement is not enforceable. The assessment should distinguish between: • non-enforcement in a particular instance (for example, the funder has not yet sought repayment of unspent funds in the current case); and • evidence of a consistent pattern of non-enforcement such that the "consequences" are not substantive in practice (AG25), potentially indicating that a binding arrangement does not exist. In the scenario raised by the respondent (only 2/3 of the funding spent and the funder has not requested repayment for some time), the appropriate application of the ED would be to firstly assess enforceability and whether a binding arrangement exist considering all facts and circumstances about the arrangement, including paragraph AG25, and whether the lack of repayment request from the funder is a non-enforcement in this instance, or if there is evidence of a consistent pattern of non-enforcement. If it is concluded that a binding arrangement exists, resources are allocated to identified compliance obligations, and revenue is recognised as those obligations are satisfied. In the scenario described by the respondent: • It is assumed that the existence of enforceability (assessed in substance, including consideration of historical enforcement behaviour per AG 25) indicates a binding arrangement. Therefore, the funder's non-enforcement in this particular instance does not, by itself, negate enforceability. • The fact that only part of the funding was spent does not, of itself, determine revenue recognition. If all compliance obligations have been satisfied, the entity no longer has a present obligation to transfer resources under paragraphs 81–86. Accordingly, the binding arrangement liability is extinguished and the remaining portion of the consideration received is recognised as revenue in accordance with paragraphs 87–104. The Standard is designed to be applied based on the rights and obligations established by the arrangement, not on the extent to which those rights are actively enforced in practice. While historical non-enforcement may affect whether an arrangement is enforceable in substance (AG25), once a binding arrangement

		exists, revenue recognition is driven by satisfaction of compliance obligations rather than by enforcement actions. Accordingly, the requirements in the revenue ED appropriately address the scenario described by respondents. However, we consider that bringing Implementation Guidance paragraph B.2 (refer to Appendix 1) into the authoritative text of PBE IPSAS 47 (as recommended for the two matters above) would help make it clear to preparers, through authoritative guidance, that the assessment of enforceability is not dependent on a single mechanism or factor, but rather on the consideration of all relevant enforcement mechanisms and factors collectively. Paragraph B.2 sets out relevant factors to consider in this assessment (which include, but are not limited to, past experience with the other parties). We recommend the same action for PBE IPSAS 48. In addition, we recommend that the interaction between enforceability, historical non-enforcement, and the extinguishment of binding arrangement liabilities be reinforced through adoption and implementation support to clarify that: • Enforceability is assessed in substance, and consistent historical non-enforcement is a relevant factor to consider in the assessment (AG25) – together with other relevant enforcement mechanisms and factors that need to be considered in totality when assessing whether the arrangement is enforceable (IG paragraph B.2); • For transactions with binding arrangements, revenue recognition is determined by satisfaction of compliance obligations (paragraph 87-104). **Recommended action** **A** Addition/amendment to **authoritative text** within the ED(s) (i.e. core text or Application Guidance paragraphs) **C** Adoption and implementation support

Question for the Board:

Q6. Does the Board **AGREE** with the recommended actions in Table 2?

Topic 3: Rights and obligations

42. Along with the concept of enforceability, a key aspect of the definition of a binding arrangement is distinct rights and obligations for at least two parties to the arrangement (see paragraphs 9 – 13). The nine comments within this topic relate specifically to stakeholders' views on the identification of rights and obligations when assessing whether a binding arrangement exists.

Topic: Rights and obligations Comments by sector and ED			
	PS	**NFP**	**Both**
Revenue ED	3	1	0
Transfer expenses ED	0	0	1
Both EDs	2	0	2

Topic: Rights and obligations Respondent	Number of comments
IRD	1
Treasury	1
Auckland Council	1
CAANZ	2
OAG	1
Outreach feedback	3
Total	**9**

Analysis and recommended actions

43. Of the nine comments:

(a) Seven contains concerns about the cost, judgement, time or resourcing implications of applying this principle **(refer to paragraphs 19 – 25 where these comments are addressed)**

(b) One raises a concern about the placement of paragraph 56 and potentially different accounting treatments for economically similar enforceable obligations

(c) One requests guidance on specific fact patterns or circumstances.

Further analysis and recommended actions on comments under (b)-(c) are set out in paragraphs 44 – 56 below.

Concern about the placement of paragraph 56 and potentially different accounting treatments for economically similar enforceable obligations (comment #17)

44. One respondent noted a concern whether the placement and role of paragraph 56 create confusion because:

    (a) paragraph 56 appears to function as both a test for the existence of a binding arrangement and a gateway to applying the five-step model, unlike NZ IFRS 15 where contract identification is clearly separated; and

    (b) economically similar enforceable obligations may be accounted for differently depending on whether the transaction is treated as with or without a binding arrangement (this is in the context of paragraphs 58 and 29 - under paragraph 58, for revenue transactions with binding arrangements, but where the criteria in paragraph 56 for using the five-step model are not met, non-refundable consideration received is recognised as revenue only *once the entity fully satisfied its compliance obligations* (or once the binding arrangement has been terminated) – whereas for transactions without binding arrangements, revenue is recognised *when or as* the entity satisfies compliance obligations, i.e. not necessarily once all obligations are satisfied).

Revenue from Transactions with Binding Arrangements

Recognition

56. An entity shall account for a binding arrangement using the binding arrangement accounting model if all of the following criteria are met:

(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) (paragraphs AG32–AG34 provide additional guidance for binding arrangements that require a transfer of distinct goods or services to a purchaser or third-party beneficiary); 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 (paragraphs AG35–AG39 provide additional guidance). In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the resource provider's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the entity will be entitled may be less than the transaction consideration stated in the binding arrangement if the consideration is variable because the entity may offer the resource provider a price concession (see paragraph 115)

...

58. When a binding arrangement does not meet all of the criteria in paragraph 56, the entity shall recognise any consideration received as revenue only when either of the following events has occurred:

(a) The entity has **fully satisfied its compliance obligation** to which the consideration that has been received relates and the consideration received from the resource provider is non-refundable; or

(b) The binding arrangement has been terminated and the consideration received from the resource provider is non-refundable. An entity shall continue to assess the binding arrangement to determine whether the criteria in paragraph 56 are subsequently met.

...

Recognition of Revenue Transactions without Binding Arrangements

29. When an entity recognises an inflow or right to an inflow of resources as an asset for a revenue transaction without a binding arrangement in accordance with paragraphs 18–25, it recognises revenue based on the nature of the requirements in its revenue transaction. An entity shall recognise revenue from a transaction without a binding arrangement:

(a) **When (or as) the entity satisfies any obligations** associated with the inflow of resources that meet the definition of a liability; or

(b) Immediately if the entity does not have an enforceable obligation associated with the inflow of resources.

45. The respondent suggests that it would be clearer if paragraph 56 is included within the 'Identify whether a Binding Arrangement Exists' section (paragraphs 11 to 16), consistent with the for-profit revenue accounting standard, NZ IFRS 15 *Revenue from Contracts with Customers*.

46. We agree that the interaction between paragraphs 29, 56 and 58 may appear confusing, particularly when compared with NZ IFRS 15. However, we note that the IPSASB has explicitly considered this issue, as documented in paragraph BC78 in IPSAS 47:

> *The IPSASB noted that the title and structure of Step 1 of the five-step model proposed in ED 70 [Revenue with Performance Obligations], previously titled "Identifying the Binding Arrangement", caused confusion for some constituents. The criteria in paragraph 56 are not intended to identify whether an arrangement is a binding arrangement; an entity should identify a binding arrangement by assessing whether an arrangement meets the definition of a binding arrangement. Rather, an entity is to consider the criteria in paragraph 56 when determining if revenue from a binding arrangement should be accounted for using the five-step accounting model in IPSAS 47. The IPSASB decided to reorder the authoritative guidance on binding arrangements and clarify when the five-step model should be considered in accounting for revenue transactions arising from binding arrangements*

47. As explained in paragraph BC78, paragraph 56 is not intended to be part of the assessment of whether a binding arrangement exists. That assessment is performed earlier, using the definition of a binding arrangement and the guidance in paragraphs 11–16 in the revenue ED. Paragraph 56 is applied only after a binding arrangement has been identified, to determine whether the five-step accounting model is appropriate for that binding arrangement.

48. Accordingly, we do not recommend relocating paragraph 56 into the "Identify whether a Binding Arrangement Exists" section. Doing so could incorrectly suggest that the criteria in paragraph 56 are determinative of whether a binding arrangement exists, which would be inconsistent with the IPSASB's stated intent and the conceptual distinction between:

    (a) identifying enforceable rights and obligations; and

    (b) determining the appropriate accounting model for those rights and obligations.

49. We acknowledge the concern that economically similar enforceable obligations may result in different accounting outcomes under the two models. However, a transaction with binding arrangement that doesn't fully meet the criteria in paragraph 56 is nevertheless still a transaction with binding arrangement and is economically different to a transaction without BA – therefore, it makes sense that the requirement in paragraph 58 is different to paragraph 28. This reflects a deliberate feature of the revenue ED, which distinguishes between transactions with and without binding arrangements (which are economically different types of transactions, with different recognition and measurement requirements under the different models).

50. While we do not recommend relocating paragraph 56, we acknowledge that its placement may be misread as part of the "binding arrangement" identification assessment. To minimise this risk, we recommend highlighting, through educational support (for example, a short guidance publication and through Need to Know webinars or webcasts), the content in paragraph BC78 in IPSAS 47.

Recommended action

C	Adoption and implementation support

Question for the Board:

Q7. Does the Board **AGREE** with the recommended action in paragraph 50?

Guidance on specific fact patterns or circumstances (comment #65)

51. One respondent requested guidance on what the rights and obligations would be in a transaction involving ticket sales for a charity event – and whether this transaction involves a binding arrangement.

52. As part of our development of the ED, Implementation Guidance Section G was added which considers cash donations and fundraising that may be applicable to this scenario.

53. We note that this fact pattern (i.e. the specific terms of the ticket sales and other facts and circumstances relating to the sale) would be unique to the specific entity and therefore it would be for the entity to perform the assessment, using the guidance in the revenue ED. The respondent's comment does not indicate a particular aspect of the requirements which is lacking in clarity.

54. In the absence of evidence to the contrary, we consider that there is sufficient guidance for an entity to apply the binding arrangement definition and enforceability considerations to the fact pattern to assess if both parties in the arrangement have enforceable rights and enforceable obligations due to consequences that may be faced in the event of non-compliance.

Recommended action

E	No further action required

Question for the Board:

Q8. Does the Board **AGREE** with the recommended action in paragraph 54?

Topic 4: Oral or implied arrangements

55. Paragraph AG12 in both EDs state that:

Binding arrangements can be evidenced in several ways. A binding arrangement is often, but not always, in writing, in the form of a contract or documented discussions between the parties.

56. The seven comments within this topic relate specifically to stakeholders' views on the fact that a binding arrangement does not need to be in writing.

Topic: Rights and obligations Comments by sector and ED			
	PS	**NFP**	**Both**
Revenue ED	0	0	0
Transfer expenses ED	0	0	0
Both EDs	6	0	1

Topic: Rights and obligations	
Respondent	**Number of comments**
CAANZ	1
Outreach feedback	6
Total	**7**

Analysis and recommended actions

57. Of the seven comments:

(a) One noted the benefit of including oral and implied terms within the scope of a binding arrangement, as this requires entities to make a judgement on the

substance of an arrangement. (This is a positive comment on the proposed requirements and does not require considering changes to the proposals.)

(b) Four contain concerns about the cost, judgement, time or resourcing implications of assessing arrangements with oral or implied terms, noting in particular the potential for differing judgements between preparers and auditors when determining whether such arrangements give rise to a binding arrangement **(refer to paragraphs 19 – 25 of this memo where these comments are addressed).**

(c) Two note operational considerations, such as making sure all terms are documented.

Further analysis and recommended actions on comments under (c) are set out in paragraphs 58-60 below.

Operational considerations (comment #25 and 27)

58. One respondent noted that terms or arrangements that are currently verbal should probably be documented, in light of the proposed requirements. Another respondent noted that auditors will be required to work with clients to ensure all terms are documented.

59. We note that these two comments relate to operational aspects of an entity's reporting, rather than the technical requirements (or the application of the technical requirements). Therefore, one option to address this feedback would be to take no further action.

60. However, in the interests of assisting entities to implement the requirements, we recommend providing external guidance alongside practitioners in the sectors (for example, roundtables and webinars) to spread the message on the need for entities to consider how they support their binding arrangement assessments to their auditors in situations where terms are oral or implied. To avoid providing advice on operational aspects of an entity's finance function, we would share the messages heard from other stakeholders, rather than creating our own guidance on these matters.

Recommended action

C	Adoption and implementation support

Question for the Board:

Q9. Does the Board **AGREE** with the recommended action in paragraph 60?

Next steps

61. In determining the next phase of work on ED PBE IPSAS 47 and ED PBE IPSAS 48, we also consider the current review of the Accounting Standards Framework (ASF).

62. As a first step, at the next meeting, we will continue to finalise our assessment of the feedback received on the binding arrangement principle, as this is fundamental to both EDs.

63. Thereafter, we intend to focus on the feedback received on the costs and benefits of these proposed EDs.

64. Once the binding arrangement issues are considered and resolved, and the cost-benefit analysis is reconsidered, our focus will be to create a detailed timeframe for analysing and addressing the rest of the feedback on the EDs.

Appendix 1: Implementation Guidance paragraph B.2 - ED PBE IPSAS 47 *Revenue*

B.2 Enforceability

What should an entity consider in assessing enforceability?

Determining whether an arrangement, and each party's rights and obligations in that arrangement, are enforceable may be complex and requires professional judgement. This assessment is integral to identifying whether an entity has a binding arrangement (i.e., with both enforceable rights and enforceable obligations), only enforceable rights, or only enforceable obligations, through legal or equivalent means. In cases where an entity does not have a binding arrangement, it may still have an enforceable right, or an enforceable obligation, which should be accounted for appropriately. Enforceability may arise from various mechanisms, so long as the mechanism(s) provide(s) the entity with the ability to enforce the terms of the arrangement and hold the parties accountable for the satisfaction of their obligations in accordance with the terms of the arrangement. At inception, an entity shall use its judgement and objectively assess all relevant factors and details to determine if it has enforceable rights and/or obligations (i.e., what is enforced), and the implicit or explicit consequences of not satisfying those rights and/or satisfying those obligations (i.e., how it is enforced). Relevant factors include, but are not limited to:

(a) The substance, rather than the form, of the arrangement;

(b) Terms that are written, oral, or implied by an entity's customary practices;

(c) Whether it is legally binding through legal means (e.g., by the legal system, enforced through the courts, judicial rulings, and case law precedence), or compliance through equivalent means (e.g., by legislation, executive authority, cabinet or ministerial directives);

(d) Implicit or explicit consequences of not satisfying the obligations in the arrangement;

(e) The specific jurisdiction, sector, and operating environment; and

(f) Past experience with the other parties in the arrangement.

Some mechanisms (for example, sovereign rights or reductions of future funding) may constitute a valid mechanism of enforcement. An entity should apply judgement and consider all facts and circumstances objectively, within the context of its jurisdiction, sector, and operating environment, in making this assessment. Paragraphs AG14–AG25 provide further guidance on assessing enforceability through legal or equivalent means

[A similar paragraph is included in the implementation guidance paragraph B.2 of ED PBE IPSAS 48 Transfer Expenses.]

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Memorandum

To:	NZASB Members
Meeting date:	23 April 2026
Subject:	**Potential IPSASB Application Group matters relating to revenue and transfer expenses**
Date:	2 April 2026
Prepared by:	Leana van Heerden and Carly Berry
Through:	Gali Slyuzberg; Nimash Bhikha; Michelle Lombaard

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

Purpose and introduction

1. The purpose of this agenda item is to outline feedback received on ED PBE IPSAS 47 *Revenue* and ED PBE IPSAS 48 *Transfer Expenses* (the EDs) that may be appropriate for referral to the International Public Sector Accounting Standards Board (IPSASB) Application Group (IAG).

2. Certain matters raised in the feedback and during the consultation appear to relate to the interpretation of proposed requirements in the EDs that are closely based on requirements in IPSAS 47 *Revenue* and IPSAS 48 *Transfer Expenses*.[1] Such matters may, therefore, be best considered at the international level, rather than addressed domestically in isolation by the XRB.

3. This agenda item:

   (a) explains the role, remit, and process of the IAG;

   (b) outlines our process for identifying matters that may be appropriate for referral;

   (c) presents a list of matters identified to date as potential IAG queries, noting that further analysis is still required before any formal referral is made; and

   (d) recommends the establishment of a sub-committee of the Board to consider potential IAG matters.

Recommendations

4. We recommend that the Board:

   (a) **AGREES** with the proposed approach of referring suitable matters to the IAG;

[1] The EDs were developed using these IPSASs as a starting point. Most of the proposed requirements in the EDs are therefore identical to those in IPSAS 47 and IPSAS 48.

(b) **AGREES** to progress further investigation of the matters identified as potential IAG queries, including engagement with IPSASB staff;

(c) **CONSIDERS** whether there are any other matters for consideration and referral to the IAG; and

(d) **AGREES** to establish a sub-committee to review and recommend potential IAG matters for NZASB decision and **IDENTIFIES** interested Board members to participate.

Overview of the IAG

Role and purpose

5. The IAG is an advisory group, similar to a task force, established by the IPSASB. Its primary role is to support the IPSASB in promoting the consistent application of IPSASB Standards and in identifying areas where existing guidance may require clarification, enhancement, or amendment.

6. In fulfilling this role, the IAG:

   (a) considers application questions and issues submitted by stakeholders relating to specific transactions or events; and

   (b) assists the IPSASB in identifying whether issues raised indicate a need for changes to existing Standards or the development of additional application, implementation, or educational guidance.

7. The IAG operates in an advisory capacity only. It does not have authority to set standards or issue authoritative interpretations. Its output typically consists of technical analysis and recommendations presented to the IPSASB through staff papers for discussion at IPSASB meetings. While not a formal output of the IAG, we understand IPSASB staff will also respond to relevant submitters with their technical analysis of the questions raised and their conclusions.

Matters considered by the IAG

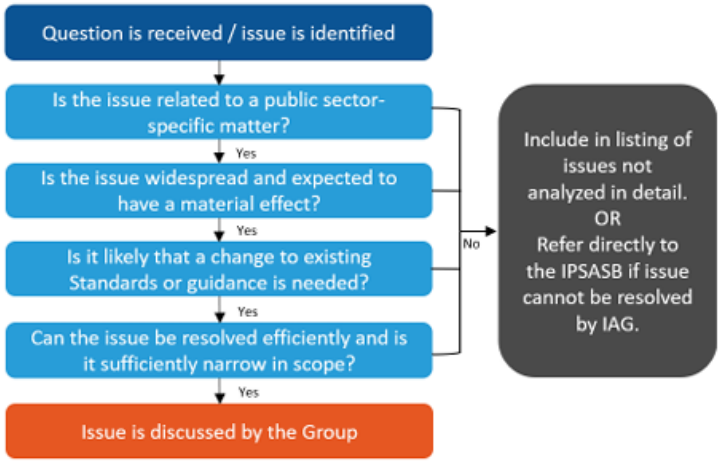
8. The IAG considers application issues arising in practice, including:

   (a) questions submitted by constituents on how IPSAS Standards apply to specific public-sector transactions or fact patterns;

   (b) application issues identified by the IPSASB or Consultative Advisory Group members, IPSASB staff, or IAG members; and

   (c) application issues identified through the IPSASB's ongoing work to maintain alignment with IFRS Accounting Standards, including matters emerging from IFRS Interpretations Committee (IFRIC) activity or Annual Improvements to IFRS Accounting Standards.

9. In determining whether the IAG should consider a matter, the below flowchart will be applied by IPSASB staff supporting the IAG:



Source: IPSASB Application Group: Operating Procedures (page 3)

10. In considering the criterion "Is it likely that a change to existing Standards or guidance is needed", IPSASB staff supporting the IAG consider whether the issue raised is currently not adequately addressed by existing IPSAS Standards, or the existing IPSAS Standards are not sufficiently clear. We understand that if staff can readily determine that the standards are sufficiently clear, the question would not be referred to the IAG for discussion, but staff will directly refer the submitter to the relevant parts of the standard. Also, there have been situations where a question was selected for IAG discussion, and the IAG's discussion resulted in the conclusion that existing IPSAS Standards are sufficiently clear.

11. The criterion "can the issue be resolved efficiently and is it sufficiently narrow in scope" refers to considering whether the IAG can realistically address the issue, i.e. whether the issue relates to a single/limited number of standard and whether it is narrow in scope. Where an issue is broader in nature or so highly prevalent that it cannot be adequately addressed by the IAG, it may be referred directly to the IPSASB for consideration outside the IAG process.

Scope and limitations

12. The scope of the IAG is deliberately limited to public sector application matters that can be addressed through technical analysis within the existing IPSAS framework.

13. In particular:

    (a) The IAG is not intended to re-open or re-deliberate issues already resolved by the International Accounting Standards Board (IASB) or IFRIC in relation to IFRS-aligned IPSAS Standards, except where public-sector-specific modifications or additions to IFRS-based guidance are involved.

    (b) The IAG does not issue authoritative interpretations, agenda decisions, or binding guidance.

    (c) Any recommendations made by the IAG require IPSASB consideration and decision before any outcomes are finalised or published.

14. Where an issue gives rise to potential changes to Standards, due process is undertaken by the IPSASB in accordance with its established standard-setting procedures.

Process for considering submissions

15. IPSASB staff perform an initial assessment of submitted issues against defined selection criteria, including public-sector relevance, materiality, clarity of existing guidance, and feasibility of IAG analysis. Issues that do not meet the criteria are documented and reported to the IAG by exception.

16. Detailed analysis is undertaken by IPSASB staff and presented to the IAG. The analysis applies existing IPSAS principles to the submitted fact pattern and includes a staff recommendation on how the issue should be addressed.

17. This is followed by the IAG considering the staff analysis and either agreeing with the recommendation or requesting further clarification or analysis. Once agreed, the recommendation becomes the IAG's formal recommendation and is submitted to the IPSASB. The IAG recommendations are then included in IPSASB agenda papers and discussed at IPSASB meetings. Facts submitted by constituents are anonymised.

18. The IPSASB decides whether any further standard-setting activity, guidance development, or educational material is required. The conclusions reached by the IPSASB are published and communicated to the submitting constituent.

19. Please refer to the IPSASB IAG webpage for more information. This page includes a link to the IAG's operating procedures and IAG discussions and IPSASB decisions to date.

XRB staff process for identifying potential IAG matters

20. In identifying matters that may be appropriate for referral to the IAG, we have applied the following considerations – in addition to considering the selection criteria from the IAG's operating procedures as mentioned above:

    (a) Whether the issue relates to the interpretation of proposed requirements in the EDs sourced from IPSAS 47 or IPSAS 48, rather than domestic policy choices or domestically developed requirements.

    (b) Whether the issue is likely to arise across multiple jurisdictions and sectors (and is not specific to New Zealand legislative, funding, or contracting arrangements).

    (c) Whether the matter could lead to diversity in practice internationally.

21. Matters identified as potential IAG items have not yet been assessed in detail against the full requirements of IPSAS 47, IPSAS 48, other relevant IPSAS, IFRS requirements or other applicable accounting guidance. We also intend to raise these matters informally with IPSASB staff before concluding whether a formal submission to the IAG is appropriate.

22. We consider it important to fully understand the IPSASB's decisions and rationale around principles which directly derive from IPSAS 47 and IPSAS 48 before we consider whether these principles should be amended in response to NZ stakeholders' feedback. There is a risk that PBE Standards will not align with the international standards if we change

fundamental principles without fully understanding why the IPSASB developed those principles in the way that it has.

Question for the Board:

Q1. Does the Board **AGREE** with the proposed approach of referring suitable matters to the IAG?

Potential IAG matters identified to date

23. The table below sets out matters identified to date as potentially appropriate for referral to the IAG. These matters span both revenue and transfer expenses and reflect issues raised by respondents during the consultation. While the feedback we received referred to our EDs, we have referred directly to IPSAS 47 and IPSAS 48 in the table below, as the ED requirements that the matters below refer to are identical to those in IPSAS 47 and IPSAS 48, and we intend to refer to IPSAS 47 and IPSAS 48 in submitting to the IAG.

24. At a high level, we consider that all of these matters meet the IAG's criteria for being selected for IAG discussion, but this will be further considered by the sub-committee that we propose to set up (see the next section). Please note that in developing our submissions to the IAG (if the Board agrees to do so), we will consider the matters raised below in greater depth and will refine their description and specific questions to the IAG.

#	Applicable ED	Matter	Brief description
1	Revenue	Tax revenue: Subsequent measurement of estimated tax receivables under IPSAS 41 by analogy	Concerns about how estimated, non-contractual tax receivables should be subsequently measured, including: • the appropriate application and boundaries of applying IPSAS 41 by analogy as per paragraph 31 and Section F of the Implementation Guidance in IPSAS 47 – particularly, whether and how the requirements in IPSAS 41 should be applied to the portion of the tax receivable that is estimated, where the final tax return has not yet been filled and therefore the tax debt has not yet been assessed, meaning that the cash flows to which the entity would be entitled has not yet 'crystalised', and; • how estimation uncertainty requirements under paragraphs 45–50 of IPSAS 47, which are part of the measurement requirements for assets relating to tax revenue, should be distinguished from impairment concepts (i.e. expected credit loss) in IPSAS 41.
2	Revenue	Tax revenue: Clarity of the tax revenue measurement model	Questions about the clarity and appropriateness of the tax revenue measurement model – • including whether the time value of money should be applied to taxation revenue (this is not specified in IPSAS 47); and

#	Applicable ED	Matter	Brief description
			• how concepts such as "variable consideration" and the constraint in paragraphs 49–50 of IPSAS 47 should be framed for taxation transactions.
3	Revenue	Tax revenue: Application of the highly probable constraint alongside tax best-estimate models	Questions about how the "highly probable that a significant reversal will not occur" constraint is intended to operate in practice alongside best-estimate tax revenue models, given that entitlement and assessment uncertainty is often already embedded in established estimation approaches. Clarification may be needed to confirm that the constraint is intended to complement, rather than duplicate or override, those models.
4	Revenue	Accounting treatment of rate-regulated activities	Questions about how revenue from rate-regulated charges and levies (e.g. charges that have a maximum value determined by an independent regulator based on a regulatory asset base value) should be accounted for under IPSAS 47, including whether such arrangements create rights or obligations that may be analogous, in economic substance, to regulatory assets or regulatory liabilities as described in the IASBs forthcoming IFRS 20 *Regulatory Assets and Regulatory Liabilities*. .
5	Transfer expenses	Assessing and evidencing progress towards satisfaction of obligations in transfer expense binding arrangements	Questions about how a transfer provider is expected to assess and evidence the transfer recipient's progress towards satisfying obligations in a binding arrangement. In particular, concerns have been raised about the application of paragraph AG39 in IPSAS 48, which states that if an entity cannot reliably estimate the transfer recipient's progress towards satisfying its obligations, then the transfer right assets is expensed immediately. There is uncertainty about what the IPSASB means by 'reliably estimate' and the level of effort expected of a transfer provider to demonstrate that it can reliably estimate the transfer recipient's progress. We also note that paragraph AG39 is part of the requirements for transfer expenses with binding arrangements. However, if there is a single transfer right asset in the arrangement, and it is not possible for the entity to track the transfer recipient's progress in relation to its obligations, there can be a question as to whether the arrangement is enforceable (which is a criterion for the existence of a binding arrangement). Further clarity on how paragraph AG39 interacts with the requirements relating to enforceability would be useful to avoid application challenges.
6	Transfer expenses	Potential inconsistencies in IPSASB	[*Context for the Board:* In ED PBE IPSAS 48, NZ paragraph AG3.1 effectively scopes out expenses incurred through binding arrangements with suppliers/contractors in

#	Applicable ED	Matter	Brief description
		literature relating to services provided to communities by central and local governments	delivering services to individuals and communities, e.g. street lighting. However, we are reconsidering this NZ paragraph, in light of internal discussions about consistency with similar types of arrangements that are within the scope of the transfer expenses ED (see the discussion below about Illustrative Example 7). Please note that the IPSASB's requirements for 'collective and individual services' (specifically, paragraph AG13 of IPSAS 19) are not in PBE Standards and were not included in ED PBE IPSAS 48, but we have referred to them below as this may be useful in submitting to the IAG. *Note – for further information on the Board's decision not to include the IPSASB's requirements for 'collective and individual services' in PBE Standards, please refer to the July 2024 NZASB paper here (starting on page 145)*] IPSAS 19 *Provisions, Contingent Assets and Contingent Liabilities* includes application guidance for 'collective and individual services'. Paragraph AG13 of IPSAS 19 says that in delivering collective and individual service to the community, an entity acquires resources and incurs expenses through contracts or other binding arrangements – such as electricity used in delivering street lighting – and these contracts and other binding arrangements are accounted for in accordance with other IPSAS. This paragraph existed before IPSAS 48 was issued and was not amended by IPSAS 48. We note that: • The definition of 'transfer expense' in IPSAS 48 includes expenses arising from the provision of services to another entity or individual without directly receiving goods, services or other assets in return; and • Paying a power company to provide street lighting to the community seems similar in principle to paying a publisher to providing health and safety booklets to a school, as per Illustrative Example 7 accompanying IPSAS 48. However, we also note that IPSAS 48 does not include authoritative or non-authoritative guidance relating to accounting for these types of services. Therefore, it may not be sufficiently clear for preparers whether expenses incurred through arrangements with third parties in providing services to the community are within scope of IPSAS 48 – and if so, how to account for such arrangements under the standard. We also note that the phrasing of paragraph AG13 implies that the transaction with the power company (or whichever service provider the entity is purchasing resources/services from) is seen as a *separate transaction that is separate to the 'collective service'*. Therefore, a question arises as to

#	Applicable ED	Matter	Brief description
			whether, in the context of the definition of a 'transfer expense', the contract with the power company is **also** considered to be separate from the activity giving rise to the transfer expense. Also, through internal discussions, we have noted that the application of paragraph 49 may require a significant change to how these expenses are presented in the statement of comprehensive revenue and expenses. For example, the NZ Government financial statements currently present expenses by nature. This would mean that implementing PBE IPSAS 48 would require a reclassification of expenses relating to services from various line items into a single line item (if those expenses meet the definition of a transfer expense).We acknowledge that there may be scope to present separate line items for expenses relating to various services (with a subtotal for transfer expenses), in accordance with paragraph 98.3 of PBE IPSAS 1. However, this would still require an entity to use judgement to decide which services are transfer expenses as defined and which are not. IPSAS 48 does not contain any authoritative or non-authoritative guidance relating to the application of paragraph 49 in these circumstances. This could potentially lead to materially inconsistent application in practice.
7	Both	Application of binding arrangement and materiality concepts to high-volume, low-value transactions	Questions about how the requirements should be applied in practice to high-volume, low-value revenue and transfer expense transactions (such as donations, grants or similar arrangements with specific terms), including the extent to which judgements about the existence of a binding arrangements, enforceability, rights and obligations and timing are expected to be made at an individual arrangement level. This matter raises cost–benefit and operability considerations that are likely to be relevant across many public sector jurisdictions and, if not clearly addressed through implementation guidance, may lead entities to adopt differing workarounds, resulting in diversity in practice.

Questions for the Board:

Q2. Does the Board **AGREE** to progress further investigation of the matters identified as potential IAG queries, and to engage with IPSASB staff?

Q3. Are there any other matters that the Board consider may be appropriate for referral to the IAG, including any that may have come to the Board's attention through review of the submission letters?

Establishment of an NZASB sub-committee to consider potential IAG matters

25. We recommend that the Board establish a small sub-committee (consisting of three to four Board members) to support the Board's oversight of potential matters for referral to the IAG. The intent of such a sub-committee would be to provide a timely and efficient forum for technical consideration of potential IAG submissions, thereby enabling matters to be progressed more efficiently than would otherwise be possible if all technical deliberations were undertaken by the full Board. Any decision to submit a matter to the IAG would remain a decision of the full Board.

26. The sub-committee remit would include (for example):

    (a) considering staff analysis of potential IAG matters against the IAG assessment criteria (e.g., public-sector relevance, international applicability, and likelihood of diversity in practice);

    (b) providing direction on whether a matter should be progressed for referral to the IAG, deferred, or not pursued, and what additional evidence or analysis is required;

    (c) reviewing and recommending the proposed wording and framing of any formal submission (including ensuring that any New Zealand-specific features are appropriately described and anonymised as necessary); and

    (d) supporting our recommendations to the full Board for decision.

27. In terms of the time commitment for sub-committee members – our view is that sub-committee members would meet at least twice (for up to one and a half hours per meeting) between this Board meeting and the June Board meeting to consider IAG submissions on matters identified to date in IPSAS 47 and IPSAS 48. In addition to meeting time, members would be expected to undertake preparatory work for each meeting, including consideration of staff-prepared materials.

28. The June Board meeting may be the first meeting at which any proposed IAG submissions are expected to be presented for Board approval. Thereafter, sub-committee meetings would be convened as required when further matters arise for consideration and potential submission to the IAG.

Questions for the Board:

Q4. Does the Board **AGREE** to establish a sub-committee to review and recommend potential IAG matters for NZASB decision?

Q5. If the Board agrees to establish a sub-committee, which members would be interested in participating?

From:	Michelle Lombaard
To:	NZASB
Cc:	Nimash Bhikha; Raveen Kaur
Subject:	CIRCULAR APPROVAL: IASB Comment letter - Fair Value Option
Date:	Thursday, 9 April 2026 4:03:33 pm
Attachments:	image001.png Draft Comment Letter on Fair Value Option (IAS 28) (For Board Approval).docx

Dear NZASB Board members

NZASB Circular resolution of the XRB's comment letter on IASB Exposure Draft

Action required: Please provide any **FEEDBACK** on the draft comment letter (Agenda item 12.1a of the April 2026 NZASB Board pack) and whether you **APPROVE** the draft comment letter for submission to the IASB (subject to any changes to be finalised by the NZASB Chair). Please kindly respond to this email by **Tuesday, 14 April 2026**, with your choice. This comment letter is due to be submitted to the IASB by Monday 20 April 2026.	
-	**Option 1:** I APPROVE the draft comment letter for submission to the IASB (subject to any changes to be finalised by the NZASB Chair).
-	**Option 2:** I do NOT APPROVE the draft comment letter for submission to the IASB.

Background

The IASB released Exposure Draft IASB/ED/2026/1 *Amendments to the Fair Value Option for Investments in Associates and Joint Ventures – Proposed amendments to IAS 28* (the ED) in February 2026. These proposed amendments aim to broaden the scope of investments in an associate or joint venture that can be measured using the fair value option. Further details on these proposals can be found on the XRB's consultation page. Comment letters are due to be submitted to the IASB by Monday 20 April 2026.

Paragraphs 18-19 of IAS 28 permit an entity to elect to measure an investment (or a portion of an investment) in an associate or joint venture at fair value through profit or loss, in accordance with IFRS 9 *Financial Instruments*, when that investment is held by, or held indirectly through, specified investment-focused entities, such as venture capital organisations, mutual funds, unit trusts; and **similar entities** (including investment-linked insurance funds). Feedback from stakeholders, particularly from those within the insurance sector, reported diversity in how the scope of investments to which the fair value option in IAS 28 applies is interpreted in practice, particularly around what characteristics were needed for investing entities and funds to be assessed as "similar entities".

In response to this feedback, the IASB is proposing to clarify that entities who invest in particular types of assets **as part of their main business activities** (determined in line

with IFRS 18) are within the scope of "similar entities" and are eligible to apply the fair value option in IAS 28. An entity must assess whether it has a main business activity of investing in assets using the guidance in IFRS 18 paragraphs B30–B41.

Outreach performed

To inform the content of our comment letter:

- We published the IASB's consultation on our website from 23 February 2026 to 1 April 2026. We did not receive any formal submissions to our consultation.
- We discussed the proposed requirements within the ED with the Technical Reference Group (TRG) at their March 2026 meeting. The TRG agreed that this is a matter of interest in New Zealand and there has been diversity in insurance companies applying the fair value option in practice. The TRG noted the proposals appear to be reasonable and strongly supported the proposed amendment to help with the IFRS 18 implementation. The TRG also supported concerns around the fair value option being irrevocable once applied and how this may impact on reporting when an entity's main business activity changes. The draft comment letter includes the TRG's feedback.
- We discussed the alternative view within the ED with the TRG at their March 2026 meeting. Previous feedback has noted that entities have challenges in applying the equity method due to difficulties in getting information from associates and joint ventures, confidentiality concerns, or misalignment of reporting periods. The TRG also noted that it would be more conceptually appropriate for the fair value option to be driven by the ways the users evaluate the underlying investments – as equity accounting would not be useful to users who evaluate investments on a fair value basis, irrespective of the nature and activities of the investing entity. As such, there was strong support for the alternative view and the fair value option being unrestricted to all entities to improve reporting in New Zealand.

NZASB Request

Board Members are asked to:

- review the draft comment letter; and provide any feedback on the key messages and tone, and
- confirm whether you **APPROVE** the draft comment letter for submission to the IASB (subject to any changes to be finalised by the NZASB Chair) by replying to this email by **Tuesday, 14 April 2026**.

If you have any questions or comments or would like to discuss anything further, please reach out to me, or Nimash.

Ngā mihi | Kind regards

Michelle Lombaard

Director Accounting Standards

T +64 4 550 2043

michelle.lombaard@xrb.govt.nz | www.xrb.govt.nz

XRB | Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

14 April 2026

Dr Andreas Barckow
Chair – International Accounting Standards Board
IFRS Foundation
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Submitted to: www.ifrs.org

Dear Dr Barckow,

IASB/ED/2026/1 *Amendments to the Fair Value Option for Investments in Associates and Joint Ventures – Proposed amendments to IAS 28*

Thank you for the opportunity to comment on Exposure Draft IASB/ED/2026/1 *Amendments to the Fair Value Option for Investments in Associates and Joint Ventures – Proposed amendments to IAS 28* (the ED).

The ED has been exposed for comment in New Zealand, and some constituents may comment directly to you. Our comments have been informed by outreach activities and consultation with preparers, users and practitioners (including for-profit advisors) and cover a range of industries and sectors.

The proposals in the ED are becoming more relevant to reporting entities in New Zealand, as the number and complexity of investment entities has grown significantly in recent years, and as some insurance entities have been closely considering these amendments, particularly in the context of preparing for implementation of IFRS 18 *Presentation and Disclosure in Financial Statements*.

We support the International Accounting Standards Board (IASB's) objective to address diversity in practice and the timely nature of the proposed amendments in advance of IFRS 18 to assist with entities implementations of the new standard.

However, we do not consider an eligibility-based approach to be conceptually appropriate. In our view, the fair value option should be available to all entities, consistent with the alternative view presented in the ED. An unrestricted approach is more principles-based and better reflects how investments are managed and evaluated and is therefore more likely to result in decision-useful information for users.

To support the timely finalisation of the amendments ahead of the implementation of IFRS 18, we have identified several targeted actions that would enhance the usefulness and consistency of information if the IASB proceeds with the current eligibility-based scope.

Our key observations relate to:

- **Revocation of the fair value option when business activities change**

  Currently, the fair value option cannot be revoked once applied, even if an entity's main business activity changes, which can lead to inconsistent reporting and in turn reduce comparability. To support timely finalisation of the amendments, we recommend allowing revocation when business activities change, or allowing an accounting policy choice for the use of the fair value option, along with clear transition guidelines for recognition and disclosure to maintain transparency and comparability.

- **Scope of the fair value option under these proposed amendments**

  The proposed amendments permit entities investing in assets as their main business activity under IFRS 18 to use the fair value option, even if investments in associates or joint ventures are not included in that part of that activity. This may cause inconsistent reporting, as eligibility depends on the entity's main business rather than the investment's nature or user information needs. Linking eligibility to business activity could also create practical challenges for subsidiaries and group entities with different main activities. We recommend the IASB address these issues when reviewing the proposals.

- **Interaction with application guidance in IFRS 18**

  There may be confusion between the proposed amendments and paragraph B38 of IFRS 18, particularly for entities that only hold investments in associates and joint ventures and are not required to assess whether they invest as a main business activity. We recommend the IASB provide additional clarification on the interaction, with application guidance in IFRS 18.

Alternative View

We agree with the alternative view that an unrestricted fair value option would be a more principle-based solution, as there does not appear to be a clear conceptual basis for allowing only particular entities to use this option.

While an unrestricted option may still result in diversity in practice across investments, entities will typically elect to use the option where this results in better information for their users, based on their underlying investments, and this will result in more understandable and decision-useful reporting than eligibility criteria based solely on an entity's main business activity.

An unrestricted fair value option will also benefit entities that have limited access to timely and complete financial information about associates, joint ventures and unconsolidated subsidiaries. This may arise, for example, where:

- Associates or joint ventures have different reporting periods and information is not complete at the time of the investor's reporting,
- Information is not available from associates, joint ventures and unconsolidated subsidiaries on a timely basis due to being located across differing jurisdictions, or
- There are practical constraints on accessing information needed to apply the equity method appropriately, including where information is considered commercially sensitive.

In these circumstances, applying the equity method may be challenging and may not result in decision-useful information for users who evaluate investments on a fair value basis. We recommend that the IASB extend the option to all entities as part of the ongoing project on the equity method or the next phase of this project.

Additionally, we suggest permitting an accounting policy choice for the use of the fair value option. Any revocation or changes should be subject to paragraph 14 of IAS 8 *Basis of Preparation of Financial Statements*[1], requiring entities to demonstrate that the change provides more relevant and reliable information to users. This will set a high threshold for change, help mitigate the risk of selective application and remain consistent with the IASB's principles-based approach to standard setting.

Response to the questions proposed in the ED

Our recommendations and responses to the specific questions for respondents are set out in the Appendix to this letter.

If you have any queries or require clarification of any matters raised in this letter, please contact accounting@xrb.govt.nz or me.

Yours sincerely

Dr Carolyn Cordery

Chair – New Zealand Accounting Standards Board

[1] The current title of IAS 8 is *Accounting Policies, Changes in Accounting Estimates and Errors* but had been amended to *Basis of Preparation of Financial Statements* from 1 January 2027 due to IFRS 18.

Appendix

Question 1 — Proposed amendments to paragraphs 18–19 of IAS 28
Paragraphs 18–19 of IAS 28 permit an entity to elect to measure an investment in an associate or a joint venture at fair value through profit or loss in accordance with IFRS 9 Financial Instruments if the investment is held by a venture capital organisation, or a mutual fund, unit trust and similar entities, including investment-linked insurance funds. *The IASB is proposing to amend paragraphs 18–19 of IAS 28 to clarify that similar entities include those that have a main business activity of investing in particular types of assets (as set out in paragraph 49(a) of IFRS 18).* *Paragraphs BC1–BC19 of the Basis for Conclusions explain the IASB's rationale for this proposal. In particular, paragraphs BC9–BC13 explain why the IASB decided not to propose extending the fair value option to all entities.* *Do you agree with this proposal? Why or why not? If you disagree, please explain what you would suggest instead and why.*

Response to Question 1: Proposed amendments to paragraphs 18–19 of IAS 28

1. We support the IASB's proposed narrow-scope amendments to IAS 28 *Investments in Associates and Joint Ventures* as a timely and pragmatic step to support initial application of IFRS 18. However, we do not consider an eligibility-based approach to be conceptually appropriate, and we strongly support a fair value option that would permit entities to choose between applying the fair value method and the equity method, in line with the alternative view within the ED.

2. We have the following observations on the proposed amendments and how they may cause challenges in practice due to the interaction of IAS 28 with other IFRS Accounting Standards.

Irrevocable fair value option when business activities change

3. In accordance with paragraph 18 of IAS 28, the election to use the fair value option at initial recognition of an investment in an associate or joint venture is irrevocable. We note an entity's main business activities may change over time, as noted by paragraph 51(c) of IFRS 18. There is a risk of increased diversity in reporting over time and across sectors, if entities change their main business activities and cannot revoke their use of the fair value option.

4. We acknowledge the IASB's rationale for deciding that the fair value option remain irrevocable in paragraph BC17-BC18 of the basis for conclusions in the ED. However, given this risk of increased diversity in reporting is a direct result of the proposed amendments, we recommend the IASB allow for the fair value option to be revoked if an entity's main business activity changes to the extent that it is no longer a specified main business activity as determined by the requirements in IFRS 18.

5. In addition, practical challenges may arise where investors elect to apply the fair value option and the nature of the investment subsequently changes and the way users evaluate the investments change. For example, an investment that is initially measured using observable market inputs may later become unobservable, making fair value measurement more judgemental and users

focus more on the investor's shares of reported profits. In these circumstances, the IASB should consider whether entities should be permitted to reconsider the application of the fair value option or permit an accounting policy choice for the continued use of the fair value option. The IASB should also consider what safeguards or disclosures would be needed to support consistency and useful information to users.

6. If the IASB permits revocation of the fair value option when an entity's main business activity changes, the requirements should also include clear and operational transition requirements. In particular, the IASB should specify that, on revocation, the carrying amount of the investment is determined using its fair value at the date of change as the deemed cost for applying the equity method. This provides a clear measurement starting point and avoids the need for costly retrospective assessments. The IASB should also clarify the treatment of comparative information and require appropriate disclosures to support transparency and comparability.

Scope of the fair value option under these proposed amendments

7. The proposed amendments allow for any entity that invests in particular assets as a main business activity to elect to use the fair value option (paragraph 18) even if the investment in an associate or joint venture is not part of that main business activity (for example, an entity that only invests in property as a main business activity). This may result in further diversity in reporting and result in challenges for users to understand why certain entities have applied the fair value option and others have not.

8. We recommend the IASB better explain in the basis for conclusions why the scope of the fair value option has been broadened in the proposed way – that is, why entities that do not have a main business activity of investing specifically in associates or joint ventures are able to use the fair value option and why the IASB consider this to be appropriate.

9. Paragraph B37 of IFRS 18 notes "*the assessment of whether investing in assets or providing financing to customers is a main business activity by a reporting entity that is a consolidated group and a reporting entity that is one of the subsidiaries in the consolidated group could have different outcomes*."

10. There is a risk that a subsidiary whose main business activity is investing in assets may apply the fair value option, while the consolidated group main business activity would not be investing in assets. In these situations, this would result in inconsistent reporting between the subsidiary and group entities and may result in challenges in users understanding and evaluating investments in line with the way the subsidiary invests in these assets when using the group consolidated financial statements.

11. We encourage the IASB to consider how the proposed amendments should be applied consistently at the consolidated group level and whether additional clarification is needed.

Interaction with application guidance in IFRS 18

12. Paragraph B38 of IFRS 18 states that *"An entity need not assess whether it invests as a*

main business activity in associates, joint ventures and non-consolidated subsidiaries accounted for using the equity method because it is required to classify the income and expenses from those investments in the investing category."

13. While the proposed amendments clarify that an entity is eligible to use the fair value option if it invests in *particular assets* as a main business activity, there may be confusion when reading the requirements in paragraph B38 together with the proposed amendments if an entity *only* has investments in associates, joint ventures and non-consolidated subsidiaries.

14. We recommend that the IASB provide additional clarification of the interaction between the proposed paragraph 18 in the ED and paragraph B38 in IFRS 18 to support consistent application for these entities.

Question 2 — Effective date and transition
The IASB proposes that an entity apply the amendments to paragraphs 18–19 of IAS 28 at the same time and on the same basis as it applies IFRS 18. *Paragraphs BC20–BC21 of the Basis for Conclusions explain the IASB's rationale for this proposal.* *Do you agree with this proposal? Why or why not? If you disagree, please explain what you would suggest instead and why.*

Response to Question 2: Effective date and transition

15. We support the proposal for an entity to apply the proposed amendments at the same time, and on the same basis, as it applies IFRS 18. This alignment will assist entities in applying the transition requirements in IFRS 18 and in determining whether income and expenses from these investments are classified within the operating or investing categories.