NZASB – PBE Standards – Transfer expenses

To:	NZASB Members
Meeting date:	24 November 2026
Subject:	**PBE Transfer Expenses: Scope of PBE IPSAS 48 *Transfer Expenses***
Date:	20 November 2026
Prepared by:	Carly Berry
Through:	Gali Slyuzberg; Michelle Lombaard

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

Purpose and introduction

1. In this agenda item, we discuss the scope of PBE IPSAS 48 *Transfer Expenses* ('the proposed standard') and consider whether (and how) to resolve inconsistencies arising from the addition of NZ-specific paragraphs within the scope section.

2. In particular, we note that the scope of the proposed standard includes **services** provided by central and local governments to individuals and communities ('the public') but **not** when such services are provided through third-party contractors. There is no similar scope exclusion for **goods** provided by central and local governments to the public.

Recommendations

3. We recommend that the Board:

   (a) **AGREE** to:

      (i) exclude paragraphs 4.2 and AG3.1 in the proposed standard from the final PBE IPSAS 48;

      (ii) amend paragraph 49 to remove the transfer expense-specific context.

   (b) **PROVIDE FEEDBACK** on our preliminary view on re-exposure of the proposed standard.

Structure of this agenda item

4. This memo includes the following sections:

   (a) Background

   (b) Analysis of the implications of paragraphs 4.1, 4.2 and AG3.1

   (c) Recommended actions

   (d) Due process considerations

   (e) Next steps

Background

5. In New Zealand, services provided by central and local governments to the public are wide-ranging. Some examples include:

(a) Street lighting

(b) Rubbish collection

(c) Education

(d) Defence

6. A transfer expense is defined as *an expense arising from a transaction, other than taxes, in which an entity provides a good, service, or other asset to another entity (which may be an individual) without directly receiving any good, service, or other asset in return* [paragraph 6 of the proposed standard].
This definition is relatively broad, referring not only to transfers of cash (e.g. via grants or donations), but also to *expenses arising from the provision of goods and services*, when an entity does not directly receive any goods, services or other assets in return.

7. Paragraphs 2.1–5 of the proposed standard set out its scope. The table below sets out the **NZ-specific** paragraphs added to the IPSAS standard with the aim to clarify aspects of the scope. These paragraphs are **not** included in the IPSASB's IPSAS 48 *Transfer Expenses*.

Para ref (in the NZ ED, not in IPSASB standard)	Text	Reason for including the NZ-specific paragraph
4.1	The scope … ***includes*** expenses arising from transactions relating to social welfare payments to individuals (such as unemployment and national superannuation benefits) and to the delivery of services to individuals and communities by central and local governments (such as health and education services), when they meet the definition of a transfer expense.	These scope clarifications were driven by the Board's decision *not* to develop a PBE Standard based on IPSAS 42 *Social Benefits* (and therefore to extend the scope of the proposed standard to social benefits – see agenda item 5.1 from the NZASB August 2024 meeting for the application of the PBE Policy Approach to IPSAS 42). Paragraph 4.1 emphasises the application of the proposed standard to social benefit transactions. Paragraph 4.2 clarifies the fundamental principle of a 'binding arrangement' applies to these transactions. *(paragraph BC15)* These paragraphs also clarify the application of the proposed standard to expenses arising from the *delivery of services to individuals and communities* by central and local governments – paragraph BC16 notes that such transactions are likely to be *in scope* of the proposed standard, *subject to the scope exclusion in AG3.1 (see below*).
4.2	The transactions referred to in paragraph 4.1 are without a binding arrangement because individuals and communities do not have an enforceable obligation to central or local governments in return for the transfer of cash, goods or services.	
AG3.1	When providing services to individuals and communities, central and local governments acquire resources and incur	See paragraph 11 in agenda item 7.4 from the NZASB October 2024 meeting (page 282), where these types of transactions are referred to as 'exchange'[1] transactions.

[1] Note – the proposed standard does not refer to 'exchange' and 'non-exchange' transactions. However, the definition of a 'transfer expense' is consistent with the concept of a 'non-exchange' expense; therefore, for ease of reading, we have referred to these broader concepts here.

Para ref (in the NZ ED, not in IPSASB standard)	Text	Reason for including the NZ-specific paragraph
	expenses, usually through contracts and other binding arrangements. Examples include the electricity used in delivering street lighting, the salaries paid to acquire the services of teachers, and the acquisition of non-current assets used in providing those services. These contracts and other binding arrangements are accounted for ***in accordance with other PBE Standards.***	Since the proposed standard only applies to those transactions which are 'non-exchange' in nature (per the definition of 'transfer expenses', see paragraph 6 above), any exchange transactions would not be within scope. Paragraph AG3.1 was added to clarify this, particularly in light of the reference to the delivery of services to individuals and communities in paragraph 4.1-4.2 above.

8. While paragraphs 4.1 and 4.2 were intended merely to clarify that the scope of the proposed standard includes services provided by central and local governments to the public when the transfer expense definition is met, paragraph AG3.1 effectively *scopes out those services if provided through third-party contractors*. There is no similar scope exclusion for goods provided by central and local governments to the public.

9. In addition to the NZ-specific paragraphs mentioned above, the proposed standard does not include the IPSAS 48 scope exclusion relating to social benefits as defined in IPSAS 42 *Social Benefits*[2]. IPSAS 42 has not been incorporated into PBE Standards (see agenda item 5.1 from the NZASB August 2024 meeting for the application of the PBE Policy Approach to IPSAS 42 *Social Benefits*). Instead, social welfare payments in New Zealand are within scope of the proposed standard, as clarified in the NZ-specific paragraph 4.1.

Development of paragraph AG3.1

10. Paragraph AG3.1 is based on paragraph AG13 in the IPSASB's IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*:

> *In delivering collective services, a public sector entity acquires resources and incurs expenses, usually through contracts and other binding arrangements. Examples include the electricity used in delivering street lighting, the salaries paid to acquire the services of defense staff, the acquisition of non-current assets used in delivering those services, and the purchase of collective services from a third-party provider. These contracts or other binding arrangements are accounted for in accordance with other IPSAS. In some circumstances, these arrangements may give rise to provisions, for example where a contract or other binding arrangement becomes onerous. However, any such provisions relate to the binding arrangement and not to the intention to deliver collective services to the public.*

11. Paragraph AG13 was added to IPSAS 19 through the IPSASB amending standard *Collective and Individual Services*. In summary, this amending standard:

[2] Paragraph 5 of IPSAS 42 defines social benefits as *cash transfers provided to: (a) Specific individuals and/or households who meet eligibility criteria; (b) Mitigate the effect of social risks; and (c) Address the needs of society as a whole.*

(a) Defines **collective services** as *services provided by a public sector entity simultaneously to all members of the community that are intended to address the needs of society as a whole* and **individual services** as *goods and services provided to individuals and/or households by a public sector entity that are intended to address the needs of society as a whole*.

(b) Sets out the key principle relating to collective and individual services – that is, no provision is recognised for a government's **intention** to provide collective or individual services.

(c) States that other IPSAS are applicable when accounting for resources acquired and expenses incurred in **delivering** collective and individual services[3].

12. In August 2024, the Board agreed not to develop amendments to PBE IPSAS 19 based on this amending standard (see agenda item 5.1 from the NZASB August 2024 meeting for the application of the PBE Policy Approach to *Collective and Individual Services*). However, collective and individual services, as defined in the IPSASB amending standard, are comparable to the services provided by central and local governments to individuals and communities in New Zealand. Therefore, when developing the proposed standard, the Board agreed to include authoritative guidance based on (but not equivalent to) paragraph AG13 (i.e. paragraph AG3.1) in the proposed standard. This decision was taken in accordance with the view, at the time, that the transactions referred to paragraph AG13 in IPSAS 19 are 'exchange' transactions (see table in paragraph 7 above).

13. The implication of paragraph AG3.1 is that services provided by central and local governments to the public through ***third-party contractors*** are not within scope of the proposed standard.

The international view

14. The international standard, IPSAS 48, does not contain guidance on how it applies to goods and services provided by central and local governments to the public. We note that there are several IPSASB pronouncements relating to non-exchange expenses. IPSAS 42 *Social Benefits* paragraph IG2 contains the following diagram to illustrate the scope of IPSAS 42 and the boundaries between social benefits and other transactions.

[3] Paragraph AG17 in IPSAS 19 contains a similar principle to paragraph AG13 but from the perspective of individual services.

	Transfer Expenses (IPSAS 48)	Provisions (IPSAS 19)		Social Benefits (IPSAS 42)	Other IPSAS/IFRS		
Category	**Transfer Expenses**	**Collective Services**	**Individual Services**	**Social Benefits**	**Employee Benefits**	**Contracts for Insurance**	**Contracts for Goods and Services**
Examples	Transfers to other public sector entities Transfers to charities	Defense Street lighting	Education Healthcare	State pensions Unemployment benefits Income support	Employee pensions Healthcare Salaries	Vehicle insurance Private medical insurance	Purchase of goods Payment for services
Exchange or Non-Exchange Type Transaction?	Non-Exchange	Non-Exchange	Non-Exchange	Non-Exchange	Exchange	Exchange	Exchange
Provided as cash transfers to specific individuals/ households	Sometimes	No	No	Yes	Sometimes	No	No
Provided to specific individuals/households who meet eligibility criteria?	Sometimes	No	Sometimes	Yes	Yes	No	No
Mitigates effect of social risks?	Sometimes	No	Sometimes	Yes	Yes	No	No
Addresses needs of society as a whole?	Sometimes	Yes	Yes	Yes	No	No	No
			Scope of Social Benefits in GFS				

15. This diagram states that IPSAS 19 applies to collective and individual services. However, as noted in paragraph 11 of this memo, IPSAS 19 specifies that an **intention to deliver** these services **does not result in recognising a provision**, and directs entities to **'other IPSAS'** when accounting for resources acquired and expenses incurred when these services are **actually delivered**. The diagram does not explicitly state what these 'other IPSAS' are. Therefore, it appears that the delivery of collective and individual services could be accounted for in accordance with:

    (a) IPSAS 48, where the associated expenses meet the definition of a transfer expense; or

    (b) Other IPSAS, if the associated expenses are employee benefits, contracts for insurance or are otherwise exchange in nature.

16. This reading of the diagram is supported by discussions with IPSASB staff, where they clarified that 'other IPSAS' in the context of paragraphs AG13 and AG17 of IPSAS 19 **includes** IPSAS 48.

Analysis of the implications of paragraphs 4.1, 4.2 and AG3.1

17. Through internal discussions, we have observed that **New Zealand** paragraphs 4.1, 4.2 and AG3.1 create inconsistencies in the scope of the proposed standard with respect to goods and services provided by central and local governments to the public:

    Services

    (a) Paragraph 4.1 states that the delivery of services to the public by a government (such as health and education services), are ***in the scope of the proposed standard*** when they meet the definition of a transfer expense.

    (b) Paragraph 4.2 states that the services noted in (a) above are transactions without binding arrangements.

(c) Paragraph AG3.1 states that contracts and other binding arrangements that a government enters into to provide services to the public are accounted for in accordance with ***other PBE Standards***.

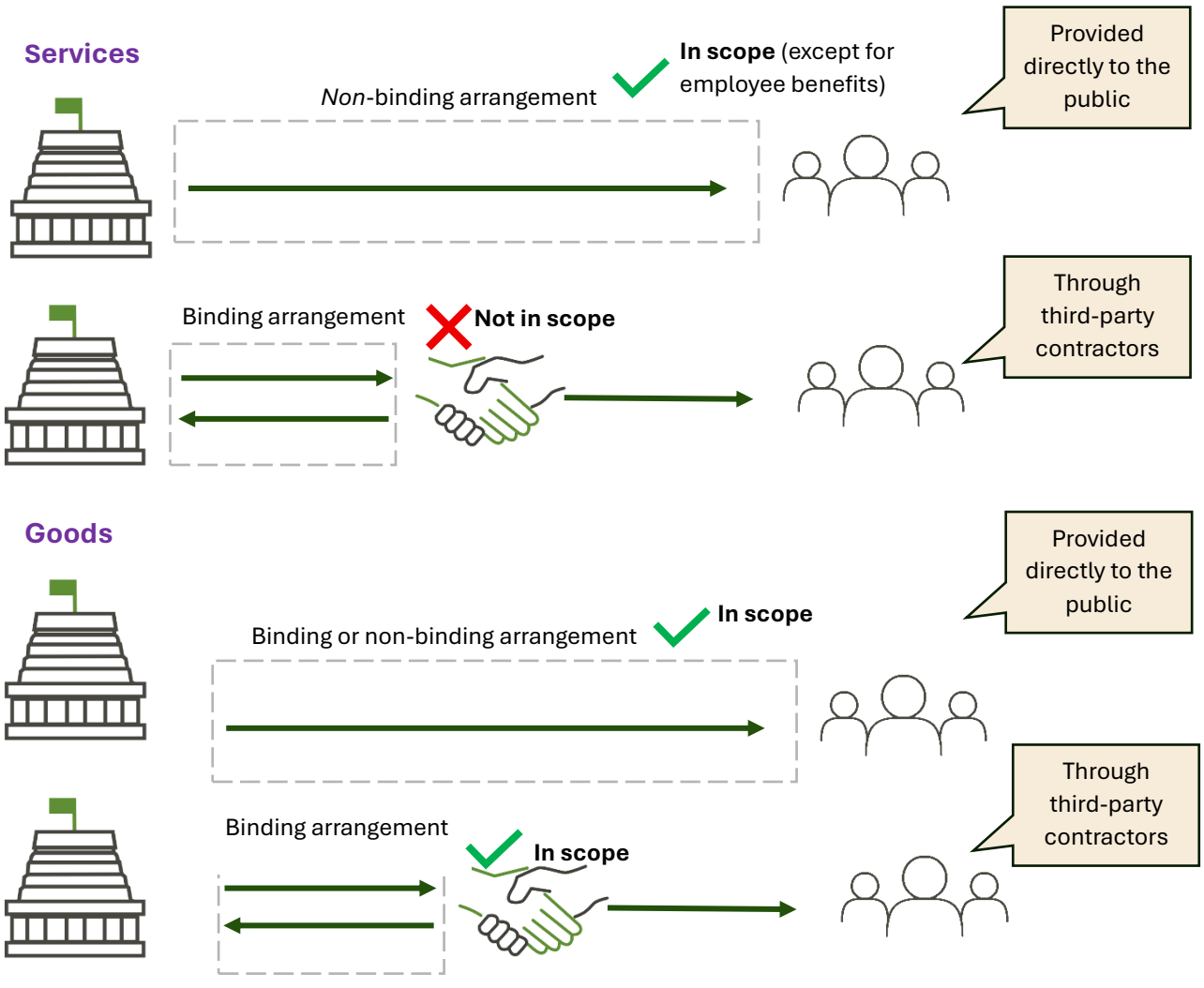
Goods

(d) Paragraph 4.1 does not emphasise the scope of the standard as it applies to goods provided by a government.

(e) Paragraph 4.2 does not apply to goods, because this paragraph only applies to transactions referred to in paragraph 4.1. Therefore, transactions involving providing goods to the public could be with or without binding arrangements. This view is supported by Example 7 in the proposed standard, which illustrates a scenario where the reporting entity pays a publisher to provide health and safety booklets to schools, and this is accounted for under the proposed standard as a transfer expense transaction with a binding arrangement[4]. We note that Example 7 is taken from the **IPSASB's IPSAS 48**, except that we modified it to refer to a not-for-profit entity instead of a public sector one.

(f) Paragraph AG3.1 does not apply to contracts and binding arrangements to provide *goods* to the public, and Illustrative Example 7 implies that such binding arrangements are in scope.

18. The diagrams below illustrate these inconsistencies.



[4] Note – we acknowledge that the transfer provider in Example 7 is a not-for-profit entity, but the principles are the same for both public and not-for-profit entities

19. We have identified the following consequences of these inconsistencies:

Lack of conceptual basis for the inconsistencies

20. There is no conceptual basis for accounting for a transaction involving services differently to one involving goods. Ultimately, the nature of both transactions is that central and local governments are providing resources to individuals and communities. Therefore, such transactions should be accounted for under the same PBE Standard(s) in a consistent manner.

21. Paragraph AG3.1 excludes contracts and other binding arrangements entered into a government when providing services to the public. This means that services provided by central and local governments to the public through third-party contractors would not be accounted for under the proposed standard.

22. As noted in paragraphs 7 of this memo, paragraph AG3.1 was added to clarify that exchange-type transactions are accounted for under other PBE Standards. However, since the proposed standard was developed, we have become aware that the contracts and other binding arrangements referred to in paragraph AG3.1 **could** be transfer expense transactions (i.e. they could be non-exchange in nature). That is, such arrangements could include transactions where "*an entity provides [...] service [...] to another entity (which may be an individual) without directly receiving any good, service, or other asset in return"*, per the definition of a transfer expense. In our view, the reason for including paragraph AG3.1 has since become lacking in conceptual basis.

Not aligned with the intention of the IPSASB

23. The inclusion of paragraphs 4.1, 4.2 and AG3.1 (which are NZ-specific paragraphs) in the proposed standard results in an outcome that is likely not aligned with the IPSASB's intention. As noted in paragraph 16, IPSASB staff have clarified to us that contracts and other binding arrangements entered into to deliver collective and individual services are accounted for under IPSAS 48 if they meet the definition of transfer expense arrangements. Our view at the time of drafting the proposed standard is that these binding arrangements are exchange in nature but we have subsequently revised this view (as noted in paragraph 22 above).

24. We acknowledge that the scope of the proposed standard is not aligned with IPSAS 48 with respect to social welfare payments (see paragraph 9 of this memo). However, this is because we have not incorporated IPSAS 42 into PBE Standards and these payments are likely to be transfer expenses as defined. Therefore, we consider the difference between the scope of the proposed standard and IPSAS 48, with respect to social benefits, to be justified – but it is more challenging to justify the difference caused by paragraph AG3.1.

Potential confusion about the scope

25. Paragraph 4.1 states that services provided by central and local governments to the public are included within the scope of the proposed standard and they are accounted for as transactions without binding arrangements. However, the implication of paragraph AG3.1 is that services provided by central and local governments to the public through ***third-party contractors*** are not within scope. Therefore, the proposed standard will only apply to services provided directly to the public.

26. Services provided directly to the public will likely involve employee costs – however, these costs are scoped out of the proposed standard (and IPSAS 48). Therefore, this raises the question as to which expenses arising from the provision of services could paragraph 4.1 apply to.

27. We acknowledge that no respondents to the consultation raised this question, so this consequence of the scope inconsistencies may not be significant. However, we consider the scope section of any PBE Standard to be critical as it is here that entities determine whether to apply a standard to a particular transaction. Clarity in this regard is therefore essential.

Recommended actions

28. **We recommend excluding paragraph AG3.1 from the final PBE IPSAS 48**. Doing so would:

    (a) Resolve the conceptual inconsistency between the treatment of services compared to the treatment of goods – i.e. services provided by central and local governments through third-party contractors would not *automatically* be out of scope – instead, they would be within scope if the transfer expenses definition is met.

    (b) Bring the scope of the proposed standard into closer alignment with IPSAS 48.

    (c) Remove the potential for confusion between paragraphs 4.1 and AG3.1

29. Since we recommend excluding paragraph AG3.1, **we also recommend excluding paragraph 4.2 from the final PBE IPSAS 48**. Without paragraph AG3.1, services provided by central and local governments through third-party contractors would be in scope of PBE IPSAS 48 if the associated expenses meet the definition of a transfer expense. Such expenses would likely arise from binding arrangements.

Potential concerns with this recommended action

30. Through discussions with stakeholders, we note the concern that excluding paragraph AG3.1 from the final standard could create unnecessary complexity in the accounting for services provided through third-party contractors, as preparers will need to learn and apply the requirements of a new standard to a range of routine transactions where current accounting practice is well-established and where accounting challenges currently do not arise.

31. In our preliminary view, we do not anticipate that excluding paragraph AG3.1 from the final standard would substantively change how expenses relating to services such as rubbish collection are **recognised and measured**. Entities would need to first consider whether the transaction is a transfer expense transaction (as defined) and then apply one of the two accounting models based on whether there is a binding arrangement. The accounting for a transaction involving rubbish collection (which would likely involve a binding arrangement) would likely be similar to the accounting for a service in an exchange transaction, i.e. central and local governments would recognise and measure:

    (a) a prepayment asset (transfer right asset) where it has transferred resources to the recipient before the recipient has performed the service; or

    (b) an accrued expense (transfer obligation liability) where the recipient has performed the service, but the central or local government has not yet transferred the funds.

32. We acknowledge that the proposed standard requires a transfer provider to identify distinct transfer rights and account for each one accordingly. A binding arrangement with a third-party contractor may include the provision of different types of services, some of which may fall within the proposed standard and some of which are accounted for under other PBE Standards. This could add a level of complexity to the accounting. However, paragraph 5 of the proposed standard provides guidance on how to account for a binding arrangement which is partially within its scope and partially within the scope of other PBE Standards:

> *A binding arrangement may be partially within the scope of this Standard and partially within the scope of other Standards:*

(a) If the other Standards specify how to separately recognise and/or initially measure one or more parts of the binding arrangement, then an entity shall first apply the separation and/or measurement requirements in those Standards. An entity shall exclude from the transfer consideration or other transfer of resources the amount of the part (or parts) of the binding arrangement that are initially measured in accordance with other Standards and shall apply paragraphs 18–43 to account for the amount of the transfer consideration or other transfer of resources that remains (if any); and

(b) If the other Standards do not specify how to separate and/or initially measure one or more parts of the binding arrangement, then the entity shall apply this Standard to the entirety of the binding arrangement.

We consider this guidance is sufficient to assist entities in determining how to account for different services within a single binding arrangement.

33. To confirm our preliminary view, we intend to work through examples of public sector transactions involving services provided through third-party contractors, to determine whether (and to what extent) there is a change in accounting treatment. We intend to bring the findings to the Board at a future meeting.

34. With respect to the **disclosure** of such expenses under the proposed standard – application of the disclosure requirements in the proposed standard would likely lead to more disclosure in the financial statements for these transactions. If the Board agrees with our recommendations in paragraphs 28 and 29, we will take into consideration the potential for the proposed standard to apply to services provided by third-party contractors when we analyse the feedback received on the proposed disclosure requirements during the consultation (to be presented to the Board at a future meeting).

35. With respect to the **presentation** of such expenses under the proposed standard, paragraphs 49 and AG52 in the proposed standard are particularly relevant:

*49. As required by paragraph 109 of PBE IPSAS 1, an entity shall present, either on the face of the statement of comprehensive revenue and expense or in the notes, an analysis of expenses using a classification based on the nature of expenses or their function within the entity. Paragraph 111 of PBE IPSAS 1 also requires the subclassification of expenses to highlight the costs and cost recoveries of particular programmes, activities, or other relevant segments of the reporting entity. **In the context of transfer expenses, the analysis of expenses by nature results in the presentation of transfer expenses as a separate line item, while the analysis of expenses by function results in the allocation of transfer expenses to the various programmes or purposes for which the transfers were made*** [emphasis added]

Paragraph AG52 provides additional guidance on the presentation and disclosure of transfer expenses.

AG52. Paragraph 49 requires transfer expenses to be included in the analysis of expenses, either presented on the face of the statement of comprehensive revenue and expense or disclosed in the notes. To meet this requirement and the disclosure objective in paragraph 50, an entity shall provide sufficient information in the analysis of expenses, along with a description of the nature of the entity's operations and principal activities as required by paragraph 150 of PBE IPSAS 1 Presentation of Financial Reports, to enable users to understand how the entity's resources are spent on its programmes, activities and services.

36. The implications of paragraph 49 are that:

(a) Entities that present expenses **by function** may not be materially affected if the proposed standard applies to services provided through third parties, as they may continue to present expenses relating to different services within different line items.

(b) Entities that present expenses **by nature** would need to present expenses relating to different services within one 'transfer expenses' line item in the statement of comprehensive revenue and expense. This could be a significant change in presentation.

37. We questioned the usefulness of presenting all types of transfer expenses in a single line item, when an entity presents expenses by nature. We also consider there to be a contradiction between the PBE IPSAS 1 guidance noted in paragraph 49 and the requirement to present all transfer expenses in a single line item.

38. We discussed this matter with IPSASB staff. They noted that the intention of paragraph 49 is to refer to 'separate line ***items***' not 'a separate line ***item***'. The IPSASB may consider correcting this in their next Improvements project.

39. We do not intend to recommend waiting for the IPSASB to correct paragraph 49 before issuing the proposed standard, as this could lead to unnecessary delay. However, we do not want to cause confusion amongst stakeholders by leaving paragraph 49 as it is. Therefore, **we recommend amending paragraph 49** as follows:

*In the context of transfer expenses, the analysis of expenses by nature results in the presentation of transfer expenses as ~~a~~ separate line item**s**, while the analysis of expenses by function results in the allocation of transfer expenses to the various programmes or purposes for which the transfers were made.*

40. We will monitor the IPSASB's improvements project and recommend any further amendments to paragraph 49 when the IPSASB publishes final improvements.

Questions for the Board:

Q1. Does the Board agree with the recommendations in paragraphs 28, 29 and 39?

Q2. Would any Board members be available to assist us with providing examples for us to work through, as described in paragraph 33? Such assistance would involve suggesting specific transaction types and/or providing information on how such transactions are currently accounted for.

Q3. Are there any other amendments or additions we should make to the authoritative and/or non-authoritative text of the proposed standard?

Due process considerations

41. The Board must consider whether excluding paragraph AG3.1 from the final PBE IPSAS 48 represents a change in the scope of the standard or otherwise represents a significant change to the proposals that were originally exposed.

42. In our view:

(a) Paragraph AG3.1 is an authoritative guidance paragraph intended to clarify the scope of the proposed standard.

(b) Removing paragraph AG3.1 does not imply that the transactions contemplated therein are now definitely within scope. Entities will need to consider whether the transfer expense definition is met, as emphasised in paragraph 4.1.

43. For these reasons, we do not consider the exclusion of paragraph AG3.1 warrants re-exposure of the proposed standard.

Question for the Board:

Q4. Does the Board have any feedback on our conclusion in paragraph 43 with respect to re-exposure of the proposed standard?

Next steps

44. As noted in paragraph 33 of this memo, we will bring our findings from the worked examples to a future Board meeting.

45. We will monitor the IPSASB's improvements project and recommend any further amendments to paragraph 49 when the IPSASB publishes final improvements.