

ED PBE IPSAS 47 and ED PBE IPSAS 48

The proposed new PBE Standards on Revenue and Transfer Expenses

June 2025



Introduction

The New Zealand Accounting Standards Board (NZASB) published two exposure drafts recently to propose new Public Benefit Entity (PBE) Standards for Revenue and Transfer Expenses. The exposure drafts are based on the International Public Sector Accounting Standards Board (IPSASB) standards IPSAS 47 *Revenue* and IPSAS 48 *Transfer Expenses*, which have been modified for the New Zealand context.

This publication aims to provide an overview of the proposed new standards, as well as the linkages between the two new standards.

Why is there a new standard on revenue?

Currently, PBEs recognise revenue using three separate standards: PBE IPSAS 9 *Revenue from Exchange Transactions*, PBE IPSAS 11 *Construction Contracts* and PBE IPSAS 23 *Revenue from Non-Exchange Transactions*.

However, as indicated by the IPSASB, this approach caused application challenges and reduced comparability between entities because of the inconsistencies with the Conceptual Framework.

To address these issues, the proposed standard provides a single PBE Standard for revenue, with the aim of:

- Enhancing transparency regarding the substance of a PBE's revenue transactions
- Increasing comparability between similar entities
- Enhancing coherence with other PBE Standards

Importantly, the proposed new standard is closely aligned with the principles of NZ IFRS 15 *Revenue from Contracts with Customers* (NZ IFRS 15). This should mean fewer accounting adjustments are needed for PBEs with for-profit subsidiaries when preparing group financial statements.

How does ED PBE IPSAS 47 *Revenue* change revenue recognition for PBEs?

ED PBE IPSAS 47 *Revenue* (ED PBE IPSAS 47) proposes not to differentiate between exchange and non-exchange transactions. Instead, it introduces a new concept of a 'binding arrangement', which underpins how revenue is measured and recognised. Entities will need to use judgement to determine whether a revenue transaction arises from a binding arrangement.



The better the question.
The better the answer.
The better the world works.

What is a 'binding arrangement'?

A binding arrangement is an arrangement that confers both rights and obligations, enforceable through legal or equivalent means, on the parties to the arrangement. For an arrangement to be binding, it must be enforceable, where each of the parties to the arrangement is able to enforce their respective rights and obligations.

This is similar to a contract under NZ IFRS 15; however, binding arrangements also include those that are, in substance, contracts where enforceability is through equivalent means.

Importantly, *both* parties must have *both* rights and obligations under the arrangement for there to be a binding arrangement.

For transactions arising *from* binding arrangements, a PBE recognises revenue as or when compliance obligations are satisfied using a five-step model (see diagram below), which is similar to the one under NZ IFRS 15. A deferred revenue liability is recognised by the PBE for any unsatisfied compliance obligations at the reporting date.

What is a 'compliance obligation'?

A compliance obligation is an entity's promise in a binding arrangement to either:

- Use resources *internally* for distinct goods or services
- Transfer distinct goods or services to a purchaser
- Or
- Transfer distinct goods or services to a third-party beneficiary

It is similar to a 'performance obligation' under NZ IFRS 15 with slightly expanded scope.

Just like NZ IFRS 15, a compliance obligation is a unit of account for the recognition and measurement of revenue. Revenue is recognised as or when compliance obligations are satisfied, whether it is internally used, delivered to the purchaser / resource provider, or to a third-party.

For transactions *without* binding arrangements, a PBE recognises revenue:

- As or when the PBE satisfies any obligations
- Or
- Immediately, if the PBE does not have an enforceable obligation/s under the arrangement

Why is a new standard being proposed for transfer expenses?

The primary objective of PBEs is to provide goods or services for community or social benefit. Therefore, for many PBEs, the payment of grants, delivery of services, or the making of social welfare payments represent a significant portion of their expenditure.

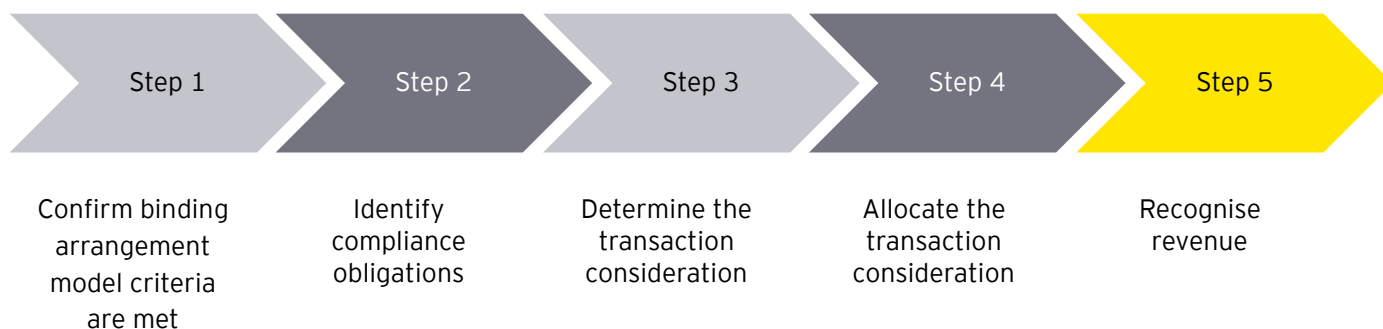
Unlike revenue, there are no existing PBE Standards that provide guidance on how transfer expenses should be accounted for. This prompted the IPSASB to develop a new standard to provide guidance and clarity on how these types of transactions should be accounted for. The IPSASB issued IPSAS 48 and the NZASB has now published the exposure draft ED PBE IPSAS 48 *Transfer Expenses* (ED PBE IPSAS 48).

What is a transfer expense?

A transfer expense is an expense arising from a transaction, other than taxes, in which an entity provides a good, service, or other asset to another entity, without directly receiving any good, service, or other asset in return.

Examples include grants, donations, and social welfare payments, just to name a few.

The five-step revenue recognition model proposed by ED PBE IPSAS 47



Similar but different?

To ensure greater consistency between standards, transfer expenses are accounted for in a similar, but opposite manner to revenue under ED PBE IPSAS 47, where the accounting for transfer expenses is dependent on the existence of a binding arrangement. Just like the proposed revenue standard, determining the existence of a binding arrangement requires judgement and affects how expenses are recognised, measured, and presented. As noted, a binding arrangement must give rise to both rights and obligations for both parties.

When there is a binding arrangement, accounting for transfer expenses is driven by the enforceable *right* of the PBE to have the transfer recipient (i.e., the entity receiving the goods or services from the PBE) satisfy its obligations. This contrasts with the revenue recognition requirements, where the PBE has an enforceable *obligation* to perform under the binding arrangement.

How should transfer expenses be accounted for under the proposed new standard?

For transactions *without* binding arrangements, the PBE does not have an enforceable right. Therefore, to account for transfer expenses arising from a transaction *without* binding arrangements, the PBE must first determine whether a provision should be recognised in accordance with PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*, for any obligation to transfer resources, with a corresponding transfer expense. This is because the PBE may have a legal or constructive obligation to transfer resources to one or more recipients, even in the absence of an enforceable right. The provision is then settled through the subsequent transfer of resources to the transfer recipient.

However, if no such constructive or legal obligation exists, the transfer expense is recognised when the PBE (i.e. transfer provider) ceases control of the asset. This is usually the date at which resources are transferred to the transfer recipient.

For transactions arising *from* binding arrangements, a transfer expense is recognised depending on whether the PBE (i.e., the transfer provider) or transfer recipient performs first.

If the transfer provider performs first, a transfer right asset is recognised, which represents the fact that the PBE is owed performance by the transfer recipient

under the arrangement. This transfer right asset will be derecognised and expensed as or when the transfer recipient satisfies its obligations under the binding arrangement.

Conversely, if the transfer recipient fulfils its obligations first, then a transfer right liability and a corresponding transfer expense is recognised by the transfer provider. This transfer right liability represents the transfer provider's future performance of its obligations under the binding arrangement.

What is the effective date and who must apply these standards?

ED PBE IPSAS 47 and ED PBE IPSAS 48 propose an adoption date of 1 January 2029. If the standards are issued as currently drafted, both standards will be applicable to Tier 1 and Tier 2 PBEs.

Do the new standards provide RDR concessions for Tier 2 entities?

Both ED PBE IPSAS 47 and ED PBE IPSAS 48 include extensive disclosure requirements to allow users of financial statements to understand the nature, amount, timing, and uncertainty associated with revenue and transfer expenses.

However, both EDs propose reduced disclosure regime (RDR) concessions for Tier 2 PBEs to reduce the time and effort required by Tier 2 PBEs in making these disclosures.

Last words

Although the proposed standards are a long way away from becoming effective, it is expected that all PBEs will be impacted significantly by the exposure drafts as the proposed standards contain new accounting principles and guidance on how revenue and transfer expenses should be recognised, which changes existing practices in PBEs. The new concepts and terminology is significant and will take considerable time to digest and incorporate into financial systems.

We therefore encourage PBEs, both in the public and not-for-profit sectors to read and understand the consultation documents and provide feedback to the NZASB through their consultation processes.

The comment period ends on 1 December 2025. The NZASB will then consider comment letters and other feedback before finalising the two new standards. Refer to the [XRB website](#) for more information.

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