# Public Benefit Entities (PBE) Newsletter

**Edition #1/25: September 2025**

## ED PBE IPSAS 48 Transfer Expenses Supplement

In February 2020 the IPSASB issued ED 72 *Transfer Expenses* which proposed an accounting model based on the Public Sector Performance Obligation Approach (PSPOA) (as highlighted in the May 2021 issue of the KPMG PBE Accounting Newsletter). ED PBE IPSAS 48 proposed a new approach based on constituent feedback to ED 72.

a) The rationale behind the development of ED PBE IPSAS 48 was based on the fact that the primary objective of most public sector entities is to deliver services to the public. Prior to the development of IPSAS 48, there had been little to no guidance in the Standards on how to account for these type of expenditures. ED PBE IPSAS 48Introduces a comprehensive standard addressing accounting for transfer expenses, which will have a significant impact on PBE accounting in New Zealand as currently we do not have a standard addressing transfer expenses. As a result, the new standard has the potential to change the statements of financial performance and position quite radically ;
b) Focuses on the accounting from the perspective of the transfer provider (the entity);
c) Focuses on whether the transfer transaction results in the recognition of an asset; and
d) Streamlines the requirements for measurement, as well as presentation and disclosure.

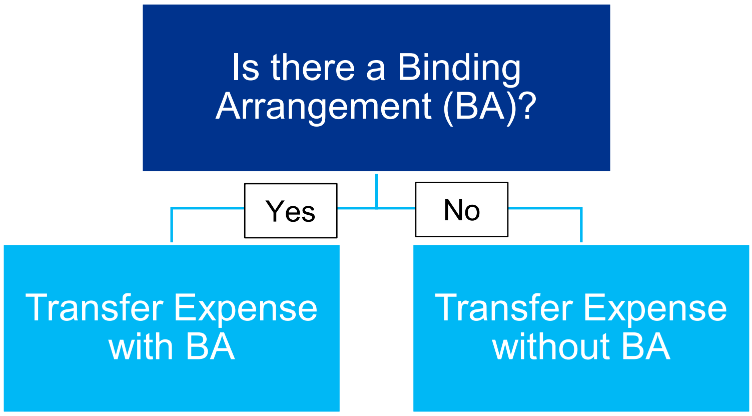
***What is a transfer expense?***

A transfer expense is an expense arising from a transaction, other than taxes, in which an entity (transfer provider) provides a good, service, or other asset to another entity (transfer recipient), without directly receiving any good, service, or other asset in return. Examples may include grants, donations and social welfare payments.

Under ED PBE IPSAS 48, the accounting for transfer expenses is driven by whether the transaction results in the reporting entity (transfer provider) having an enforceable right to have the transfer recipient satisfy their obligations (transfer right). Such an enforceable right is recognised as an asset (transfer right asset) and subsequently expensed as the enforceable right is extinguished.

The identification of whether the transaction arises from a binding arrangement impacts the determination of whether the transaction results in the recognition of an asset, as the rights and obligations from a binding arrangement provides inputs into the assessment of the asset recognition criteria.

ED PBE IPSAS 48 proposes two accounting models – based on whether or not there is a binding arrangement.




This is aligned to what we have discussed above in terms of ED PBE IPSAS 47, and hence we will not cover the concepts of Binding Arrangement and Enforceability again in this section.

## Transfer Expenses from Transactions without Binding Arrangements

The accounting model for transfer expenses without binding arrangements requires an entity to consider whether any of its rights or its obligations in the transfer expenses transactions are enforceable, and meet the definition of an asset or liability.

In transactions without binding arrangements, the entity **does not have** both an enforceable right and an enforceable obligation, but may have an:

a) Unenforceable right, and an unenforceable obligation;
For example a donation where the transfer provider cannot direct how the funds are to be used by the transfer recipient.
b) Enforceable right, but an unenforceable obligation; or
For example certain educational grants where government directs how the funds are to be distributed but the educational institution has no rights to demand payment.
c) Unenforceable right, but enforceable obligation.
For example an obligation to pay a fine or penalty.

| Type of Transaction | Enforceable Right | Enforceable Obligation |
|---|---|---|
| **Donations** | No | No |
| **Income Taxes** | No | Yes |
| **Education Grant** | Yes | No |

An entity determines whether any of its rights in the arrangement meet the definition and recognition criteria of an asset, and whether any of its obligations meet the definition and recognition criteria of a liability.

When a transfer expense arises from a transaction without a binding arrangement:

a) The entity would need to first consider whether it has a constructive or legal obligation related to the transfer. If so, the entity recognises an expense and a provision under PBE IPSAS 19, *Provisions, Contingent Liabilities, and Contingent Assets*. The subsequent transfer of resources to the transfer recipient settles the provision; and
b) If there is no related constructive or legal obligation, the entity derecognises the assets to be transferred and recognises a transfer expense when it ceases to control these resources.

In situations where a constructive or legal obligation exists and a provision is recognised, the provision and expense are measured in accordance with PBE IPSAS 19.

When a transfer expense is recognised upon the transfer of resources, the expense is measured at the carrying amount of the transferred assets.

## Transfer Expenses from Transactions with Binding Arrangements

The accounting model for transfer expenses with binding arrangements is driven by the enforceable rights and enforceable obligations in the binding arrangement, and whether the entity or the transfer recipient has fulfilled its respective obligations.

In a transfer expense transaction with binding arrangements, the enforceable right from the binding arrangement meets the definition of an asset. As a result:

a) Upon the transfer of resources, the entity derecognises the transferred asset and recognises a transfer right asset; and
b) Subsequent to the transfer, the transfer right asset is derecognised and expensed when or as the transfer right is extinguished. This typically occurs when or as the transfer recipient satisfies its obligations in the binding arrangement.

In situations where the transfer recipient satisfies its obligations in the binding arrangement before the transfer of funds, the binding arrangement imposes an enforceable obligation to the entity. This enforceable obligation results in the recognition of a liability by the entity.

When an entity transfers resources as part of a transfer expense transaction arising from a binding arrangement, the resulting transfer right asset is measured at the carrying amount of the transferred asset.

When an entity recognises a liability for the enforceable obligation to transfer resources, the liability is measured at the carrying amount of the resources which the entity is obligated to transfer.

Some binding arrangements may involve the transfer of variable consideration. Under ED PBE IPSAS 48, variable consideration is measured using the same requirements as the measurement of provisions in PBE IPSAS 19.

***Our initial thoughts as to how will this affect expense recognition***

a) The application of ED PBE IPSAS 48 will provide clarification of the point of recognition of transfer expenses, and provide consistency across PBE organisations.
b) In situations where there is a binding arrangement the expense is only recognised as or when the transfer recipient settles its obligations in terms of the binding arrangement. Hence, the expense is only recognised at this point, which could be later than when it had been recognised previously.
c) In situations where there is no binding arrangement the expense shall be recognised immediately, and where there is a constructive or legal obligation relating to the transfer a provision is recognised and cleared as the transfer recipient settles the provision. In general though, this leads to an earlier recognition of an expense for the entity.
d) Under both models, there is more complex accounting, especially for entities with high volumes of transactions, as the entities need to track the liabilities and/ or transfer right assets and ensure that they are derecognised when required.
e) Based on the tracking required around the liabilities and/ or transfer right assets, entities may have to invest in system changes, which are unlikely to be managed internally.

## KPMG’s next steps

a) We are following the progress of the ED towards becoming a standard.
b) We will be issuing a more detailed newsletter once the ED is accepted as a final Standard.
c) We will continue working to identify possible impacts for specific types of entities.
d) We are looking to facilitate a client seminar on this topic during 2026.

## What should you do now?

a) Read the Exposure Draft.
b) Consider how the proposals may impact your revenue recognition.
c) Contact Sarah or Simon if you would like to discuss the potential impact of the ED on your financial statements.

## Sources

The main sources utilised in preparing this document are:

- The IPSASB document “IPSAS 48 At A Glance”;
- The XRB document “Upcoming ED Fact Sheet PBE IPSAS 48 Transfer Expenses”; and
- The XRB document “ED PBE IPSAS 48 Transfer Expenses”.

If you have any questions, please reach out to your regular KPMG advisory contact or one of the PBE team:

## Your PBE Team

**Simon Lee**
National Technical Director
Accounting Advisory Services
Ph: 04 816 4678
E: sdlee@kpmg.co.nz

**Sarah Bate**
Director / PBE Accounting Lead
Accounting Advisory Services
Ph: 04 816 4874
E: sbate@kpmg.co.nz