Public Benefit Entities (PBE) Newsletter

Edition #1/25: September 2025

Welcome to KPMG's PBE Accounting Newsletter, reporting on forthcoming changes to PBE Accounting Standards. The purpose of the newsletter is to provide current information about changes to the PBE Accounting Standards and the potential impacts of those changes. We plan to publish this newsletter as relevant issues arise and will also issue special editions when urgent issues or special projects arise.

New Zealand PBE Accounting Standards (PBE IPSAS) are based on the IPSASB's suite of accounting standards for Governments and Public Sector entities. In New Zealand the NZASB and XRB promulgated two suites of the PBE Accounting Standards to focus on Public Sector entities and Not for Profit entities.

As PBE Accounting Standards are based on IPSAS, the NZASB and XRB follow the IPSASB's work programme closely and IPSASB Exposure Drafts are included on the XRB website under "Standards in development".

This newsletter looks at two important Exposure Drafts released by the NZASB.

Revenue and Transfer Expenses

- ED PBE IPSAS 47 *Revenue*
- ED PBE IPSAS 48 *Transfer Expenses*

These Exposure Drafts are the latest versions of previous Exposure Drafts on these items that we previously reported on in the May 2021 issue of the KPMG PBE Accounting Newsletter (ED 70 *Revenue with Performance Obligations*, ED 71 *Revenue without Performance Obligations* and ED 72 *Transfer Expenses*).

Both these Exposure Drafts are proposed to be applied for annual financial statements covering periods beginning on or after 1 January 2029.

Your PBE Team

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Revenue and Transfer Expenses

The main impacts of these new ED's on the existing Standards, are summarised as follows:

Current Accounting Standards	Exposure Drafts
PBE IPSAS 9 *Revenue from Exchange Transactions* PBE IPSAS 11 *Construction Contracts* PBE IPSAS 23 *Revenue from Non-exchange Transactions*	ED PBE IPSAS 47 *Revenue*
No corresponding Standard	ED PBE IPSAS 48 *Transfer Expenses*

Revenue

Revenue from Transactions without Binding Arrangements

The accounting model for revenue without binding arrangements requires an entity to consider whether any of its rights or its obligations in the revenue transactions meet the definitions of an asset or liability.

Where an entity is party to a transaction without a binding arrangement, the entity **does not have both** an enforceable right and an enforceable obligation. The IPSASB provides the following examples to illustrate this point:

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

This model is consistent with the core principles as they were presented in PBE IPSAS 23 *Revenue for non-exchange transactions*.

The entity shall recognise revenue from a transaction without a binding arrangement:

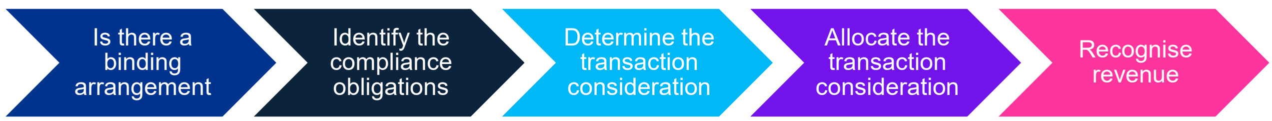
a) When (or as) it satisfies any obligations associated with the inflow of revenue that meet the definition of a liability; or
b) Immediately if the entity does not have enforceable obligations associated with the inflow.

Revenue is measured at the amount of the increase in the entity's net assets, being the cash received, or the receivable recognised.

Revenue from Transactions with Binding Arrangements

The accounting model for revenue with a binding arrangement is primarily aligned to NZ IFRS 15 *Revenue from Contracts with Customers* ('NZ IFRS 15') but has been adapted and expanded for the public sector.

ED PBE IPSAS 47 follows an adapted 5 step approach, similar to NZ IFRS 15, for the recognition of revenue where there are binding arrangements:



Revenue is recognised at the amount allocated to a specific compliance obligation when, or as, the entity satisfies that specific compliance obligation.

An entity measures revenue by determining the transaction consideration, which is the amount of resources to which an entity expects to be entitled for satisfying a compliance obligation.

The total transaction consideration would then be allocated to individual compliance obligations based on their relative stand-alone values.

For more details and our initial thoughts on the potential impact, please see the **ED PBE IPSAS 47 Revenue Supplement**.

Transfer Expenses

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.

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. This can be illustrated as follows:

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

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.

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.

For more details and our initial thoughts on the potential impact, please see the **ED PBE IPSAS 48 Transfer Expenses Supplement**.

KPMG's next steps

a) We are following the progress of the EDs towards becoming standards.
b) We will be issuing a more detailed newsletter once the EDs are accepted as final Standards.
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 Drafts.
b) Consider how the proposals may impact your revenue and expense recognition.
c) Contact Sarah or Simon if you would like to discuss the potential impact of the EDs on your financial statements.

Sources

The main sources utilised in preparing this, as well as the supplemental, documents are:

- The IPSASB document "IPSAS 47 At A Glance";
- The XRB document "Upcoming ED Fact Sheet PBE IPSAS 47 Revenue";
- The XRB document "ED PBE IPSAS 47 Revenue";
- 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

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