

## PROJECT HISTORY

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### *Structure of Consultation Paper*

The Board approved the overall structure of the Consultation Paper (CP) proposed by staff, apart from instructing that a separate chapter should be developed introducing and explaining the categorization of public sector transactions, together with analysis of, and proposals for, addressing Category A and Category C transactions. This largely involves the relocation of existing material.

The categorization of transactions is as follows:

**Category A:** Revenue and expense transactions with no performance obligations. For example, general taxation receipts and inter-governmental transfers, such as non-specific and non-earmarked grants. Such grants may be provided to finance the ongoing activities of multi-functional entities rather than being linked to particular programs.

**Category B** Revenue and expense transactions that contain performance obligations, but those performance obligations do not have all the characteristics of a transaction within the scope of IFRS 15, *Revenue from Contracts with Customers*. This category includes both exchange and non-exchange transactions (as currently defined in IPSAS 9, *Revenue from Exchange Transactions*). Category B also includes transactions involving three parties – an entity that enters into an arrangement to provide funding (resource provider), to another entity in return for delivering goods and services (resource recipient) to a third party who receives the direct benefit of those goods or services (resource beneficiary).

**Category C:** Revenue transactions that meet IFRS 15 criteria. This category includes exchange transactions involving the transfer of promised goods or services to customers as defined in IFRS 15. The key characteristic of a Category C transaction is a contract with a customer which establishes identifiable and enforceable performance obligations.

### *Enforceability*

The IPSASB agreed that the public sector performance obligation approach for addressing Category B transactions should be limited to transactions that are enforceable, but that enforceability should not be over-emphasized and should reflect a variety of public sector mechanisms, rather than purely contractual ones. Such methods might include ministerial directions and, budget appropriations

### Other issues related to the draft Consultation Paper

The IPSASB instructed that:

- The term 'public interest deficit', which is used in the introductory chapter of the CP should be explained in more detail or replaced with another term;
- The problems that the CP is addressing should be articulated better;
- The difficulties with the exchange/non-exchange classification should be articulated from the perspective of preparers (determination of what is and isn't a non-exchange transaction difficult and preparers (not likely to be particularly interested in the distinction between exchange and non-exchange transactions);

- There should be more detail on Category A and Category C transactions and a new chapter should be developed introducing the categories and making proposals for dealing with Category A and Category C transactions including preliminary views;
- It should be clarified that the categories are simplifications of reality in order to aid the IPSASB in developing its proposals;
- The analysis of Category B revenue and expense transactions should use the five steps-model drawn from IFRS 15, modified to reflect the public sector context, rather than a large number of characteristics;
- There needs to be greater clarity about modifications to IPSAS 23, so that the revised exchange/non-exchange model is clearer;
- The linkage between satisfaction of a performance obligation by a recipient of resources and a present obligation by a provider of resources should be clearer;
- The principal-agent relationship should be explored in relation to tripartite arrangements.
- There should be more linkages with the Conceptual Framework, particularly in the discussion about whether present obligations arise for collective goods and services and in the discussion on the IPSAS 19 model for non-exchange expenses;
- The scope of transactions for to be addressed in the chapter on measurement goes beyond statutory receivables and statutory payables to include, for example, donations; and
- The chapter's coverage of initial measurement should be more explicit.

The IPSASB instructed that a revised version of the Consultation Paper should be brought to the December 2016 meeting.