

Draft IPSAS based on the Exposure Drafts (EDs)

Purpose

1. To provide background on staff's process in creating the draft IPSAS based on ED 71 and ED 72, and reflecting IPSASB decisions to date to address constituent comments. This paper also provides staff's rationale in reordering guidance to require users to first identify whether a transaction arises from a binding arrangement.

Background

2. There has been significant progress reviewing responses to the Revenue and Transfer Expense EDs and discussing key principle-related issues. Specifically:
 - (a) *Revenue*: The IPSASB made key decisions on principle-related issues during its [March 2021](#) and [June 2021](#) meetings. These decisions emphasized the prevalence of revenue transactions in the public sector, and the need to clearly communicate the scope and key accounting principles associated with revenue accounting. The IPSASB decided to continue to present revenue guidance as two separate standards,²¹ and that the concept of a binding arrangement remains fundamental for revenue accounting.
 - (b) *Transfer Expenses*: During its [April 2021](#) meeting, the IPSASB considered the decisions made on principle-related issues in the Revenue project and agreed that the concept of a binding arrangement is equally fundamental for transfer expense accounting.
3. Some IPSASB CAG members also provided related advice during the [December 2020](#) and [June 2021](#) CAG meetings. Members encouraged the IPSASB to consider the public sector perspective, including prevalent types of public sector transactions, and user needs in revising the presentation and order of accounting guidance. Some CAG members also advised the IPSASB to consider introductory guidance to help improve the usability and understandability of the final IPSAS.
4. Overall, the IPSASB discussions and CAG member advice in response to constituent comments support the need to better communicate how the proposed standards will be used to account for public sector transactions. This agenda paper summarizes staff's approach to meet this need, developing conceptual consistent draft IPSAS that reflects key decisions on principles.

Analysis

Draft IPSAS (based on ED 71 and ED 72)

5. In March 2021, the IPSASB decided to present revenue guidance with the standard based on ED 71 first. The IPSAS (based on ED 71) is expected to be applicable to the majority of public sector revenues (highlighted in March 2021 [Agenda Item 5.2.2](#)), and comprises revenues arising from transactions (1) without binding arrangements, and (2) with binding arrangements that have present obligations (that are not performance obligations).
6. Transfer expense transactions also may arise (1) without binding arrangements or (2) with binding arrangements. For conceptual consistency, staff drafted the Transfer Expenses IPSAS (based on ED 72) concurrently.

²¹ In March 2021, the IPSASB decided, for the time being, to continue to present revenue guidance as two separate standards with the standard based on ED 71 first (i.e., Option 1).

