REVENUE AND TRANSFER EXPENSES

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Eileen Zhou, Principal

IPSASB Meeting – September 2022
Revised P&D Requirements for TE-Related Balances

Recommendation

• Staff recommend simplifying the P&D requirements to:
  – Clarify that the presentation and disclosure of transfer expense-related balances are already addressed by existing standards and clearly signpost to these requirements:
    o IPSAS 1, *Presentation of Financial Statements*
    o IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*
    o IPSAS 28, *Financial Instruments: Presentation*
    o IPSAS 30, *Financial Instruments: Disclosures*
  – Require disclosure of significant judgments made regarding the recognition of a transfer right asset, if not already disclosed elsewhere
  – Require disclosure of a reconciliation of the opening and closing balances of transfer right assets, if not already disclosed elsewhere
    o Also recommend adding an SMC on the disclosure of the reconciliation

Does the IPSASB disagree with this recommendation?
Revised P&D Requirements for Transfer Expenses

Recommendation

• Staff recommend clarifying that the general P&D requirements for expenses in IPSAS 1, *Presentation of Financial Statements*, should be applied to transfer expenses

• The IPSAS 1 P&D requirements for expenses include:
  – Analysis of expenses by nature of expenses or by their function within the entity
  – Additional information on nature of expenses if the above analysis is done by function
  – Subclassification of expenses to highlight cost and recoveries of programs, activities, or other relevant segments

Does the IPSASB disagree with this recommendation?
Applying the [Draft] TE IPSAS to Capital Transfers

Recommendation

• Staff recommend:
  – No additional authoritative guidance needs to be developed for capital transfers
  – Clarify in the Application Guidance how the general accounting principles for transfer expenses arising from binding arrangements should be applied to capital transfers

• Above recommendations are consistent with the IPSASB’s decisions on capital transfers in the [draft] Revenue standard

Does the IPSASB disagree with this recommendation?
Remaining Substantive Issues

Recommendation

Definitions
Use:
- “Transfer consideration”
- “Stand-alone consideration”

Variable Consideration
Simplify by referring to IPSAS 19 guidance on measurement of provisions

Stand-alone Consideration
Use:
- Amounts in BA or
- Amounts intended to compensate recipient for fulfilling its obligations

Transition
Allow:
- Prospective application or
- Retrospective application using IPSAS 3

Does the IPSASB agree with this recommendation?
Recommendation

- Staff confirmed that all issues raised by respondents to ED 72 have been considered and addressed
- Staff recommend inclusion of the revised authoritative text in the [draft] Transfer Expenses standard

Does the IPSASB disagree with this recommendation?
ED 70, Specific Matter for Comment (SMC) 5: Add a public sector specific disclosure requirement for information on transactions which an entity is compelled to enter into by legislation or other governmental policy decisions.

Large majority agreed, as it:
- Captures unique public sector transaction that may be material and prevalent
- Supports accountability and transparency
- Provides useful information for FS users

A few constituents requested the IPSASB:
- Enhance or revise disclosure
- Provide guidance to support application
- Consider practical implications
Disclosure on Compelled Transactions

Recommendation

- Staff recommend the IPSASB retain the disclosure requirement for compelled transactions, as proposed in Revenue Exposure Drafts (EDs 70-71), without further changes.

Does the IPSASB disagree with this recommendation?
# Proposed Implementation Guidance Topics

<table>
<thead>
<tr>
<th>IG Topic</th>
<th>Revenue</th>
<th>Transfer Expenses</th>
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</table>
| Identifying a Binding Arrangement (BA) | 1) Whether transaction arises from BA  
  2) Changes after inception | 1) Whether transaction arises from BA  
  2) Changes after inception |
| Enforceability                   | 3) Whether a transaction is enforceable  
  4) Revenue subject to appropriations | 3) Whether a transaction is enforceable  
  4) Transfers subject to appropriations |
| Transaction without BAs          | 5) Recognition (taxable event)  
  6) Measurement | 5) Recognition: Identifying transfer rights  
  6) Recognition: Recognizing at inception  
  7) Recognition: Derecognizing transfer right asset  
  8) Recognition: Recognizing transfer obligation liability  
  9) Measurement: Interaction between transfer right asset and transfer obligation liability  
  10) Measurement: Allocating transaction consideration |
| Transaction with BAs             | 7) **Recognition**: Identifying compliance obligations  
  8) **Recognition**: Measuring progress  
  9) **Recognition**: Measuring progress for capital transfers  
  10) **Measurement**: estimating stand-alone value for allocation purposes  
  11) **Measurement**: subsequent measurement of receivables | 5) Recognition: Identifying transfer rights  
  6) Recognition: Recognizing at inception  
  7) Recognition: Derecognizing transfer right asset  
  8) Recognition: Recognizing transfer obligation liability  
  9) Measurement: Interaction between transfer right asset and transfer obligation liability  
  10) Measurement: Allocating transaction consideration |
Proposed Implementation Guidance Topics

Recommendation

- Staff recommend that the IPSASB add Implementation Guidance to the proposed Revenue and Transfer Expenses IPSAS, as presented in Appendix 1:

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Transfer Expenses</th>
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<tbody>
<tr>
<td>11 IG topics</td>
<td>10 IG topics</td>
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Does the IPSASB agree with this recommendation?