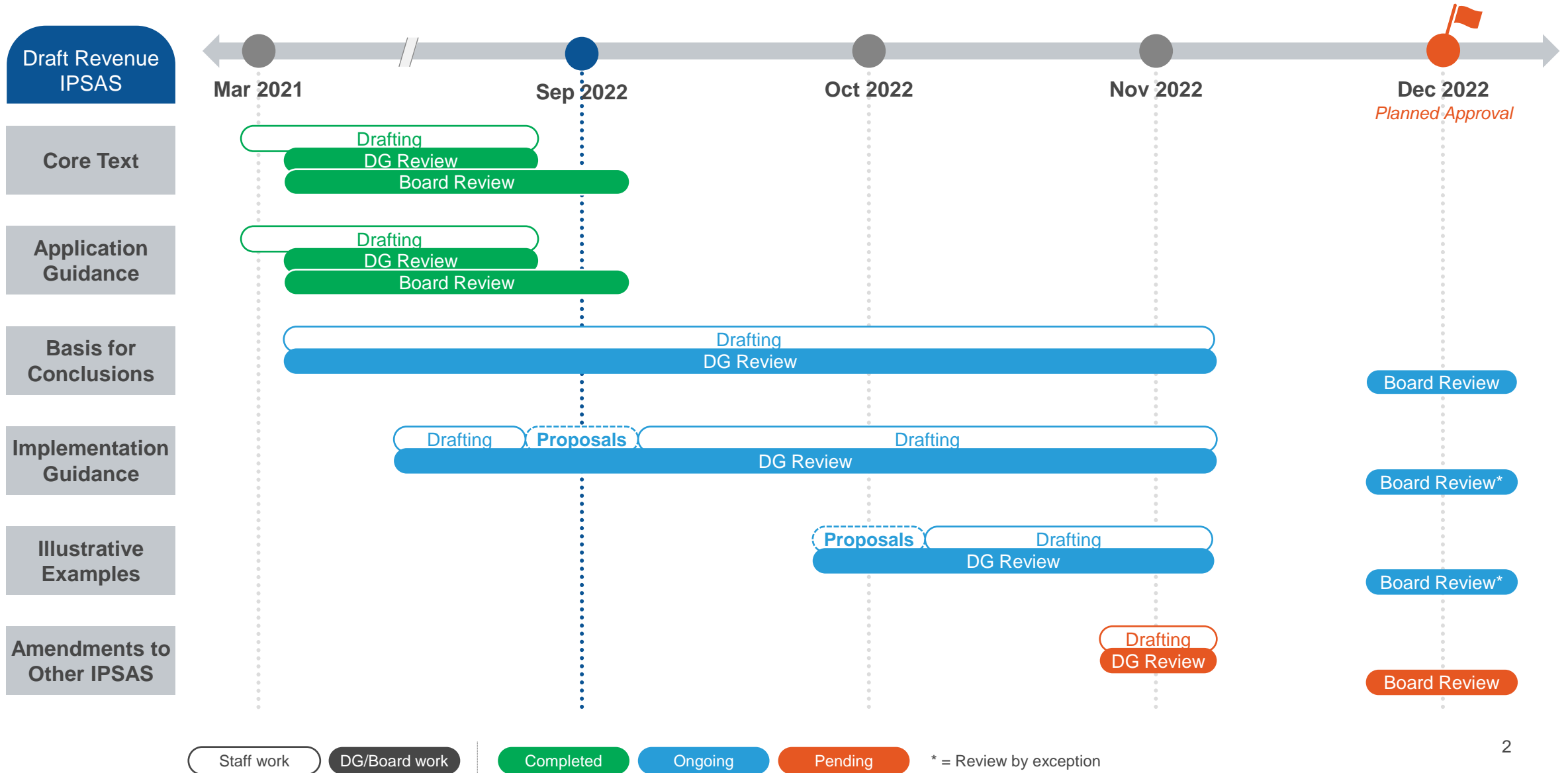


REVENUE AND TRANSFER EXPENSES

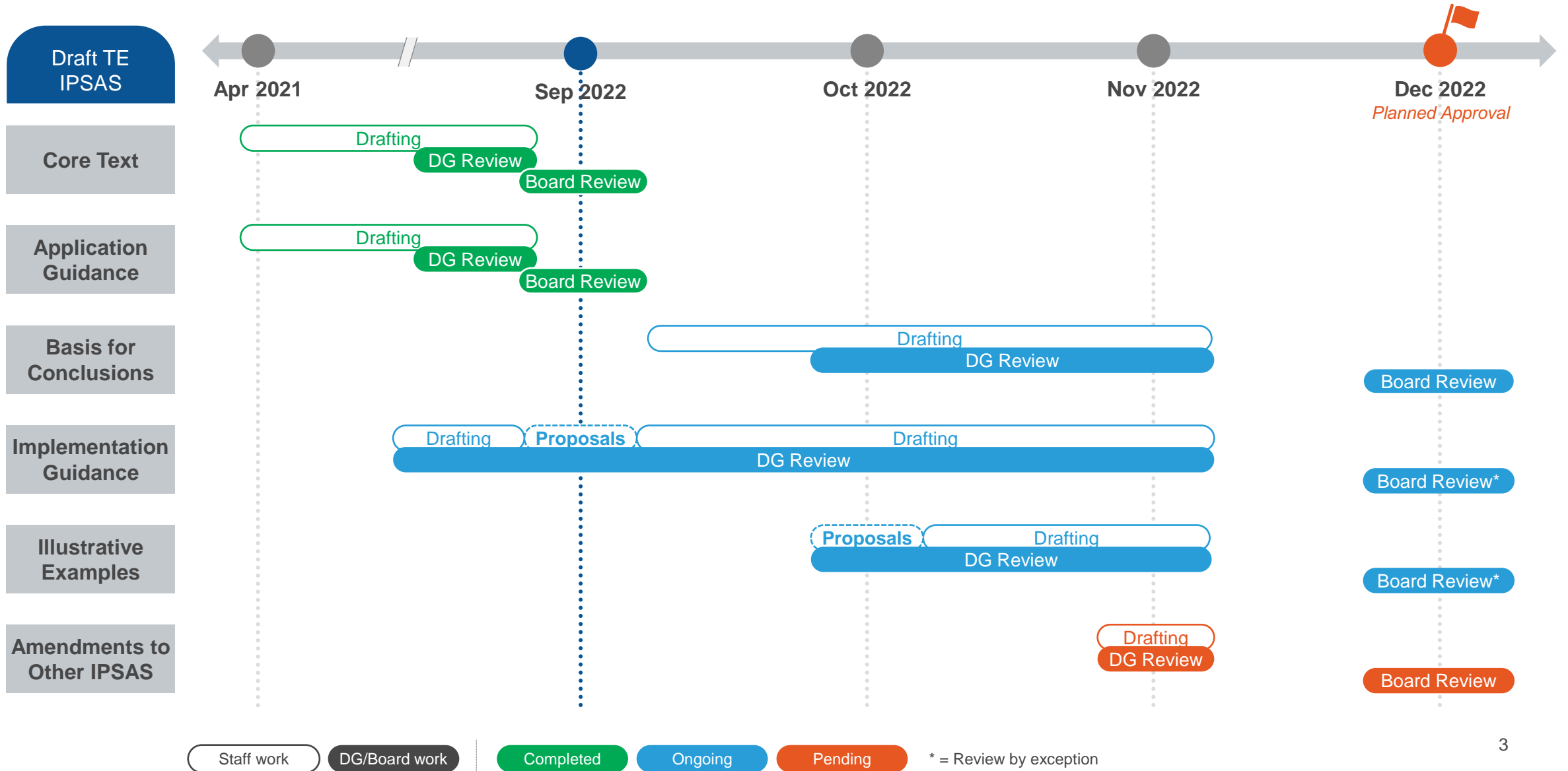
Edwin Ng, Principal
Eileen Zhou, Principal

IPSASB Meeting – September 2022

Revenue Project Timeline



Transfer Expenses Project Timeline



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:
 - IPSAS 1, *Presentation of Financial Statements*
 - IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*
 - IPSAS 28, *Financial Instruments: Presentation*
 - 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
 - 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	Variable Consideration	Stand-alone Consideration	Transition
<p>Use:</p> <ul style="list-style-type: none">• “Transfer consideration”• “Stand-alone consideration”	<p>Simplify by referring to IPSAS 19 guidance on measurement of provisions</p>	<p>Use:</p> <ul style="list-style-type: none">• Amounts in BA or• Amounts intended to compensate recipient for fulfilling its obligations	<p>Allow:</p> <ul style="list-style-type: none">• Prospective application or• Retrospective application using IPSAS 3

Does the IPSASB agree with this recommendation?

The [Draft] Transfer Expenses IPSAS & Residual Issues

Recommendation

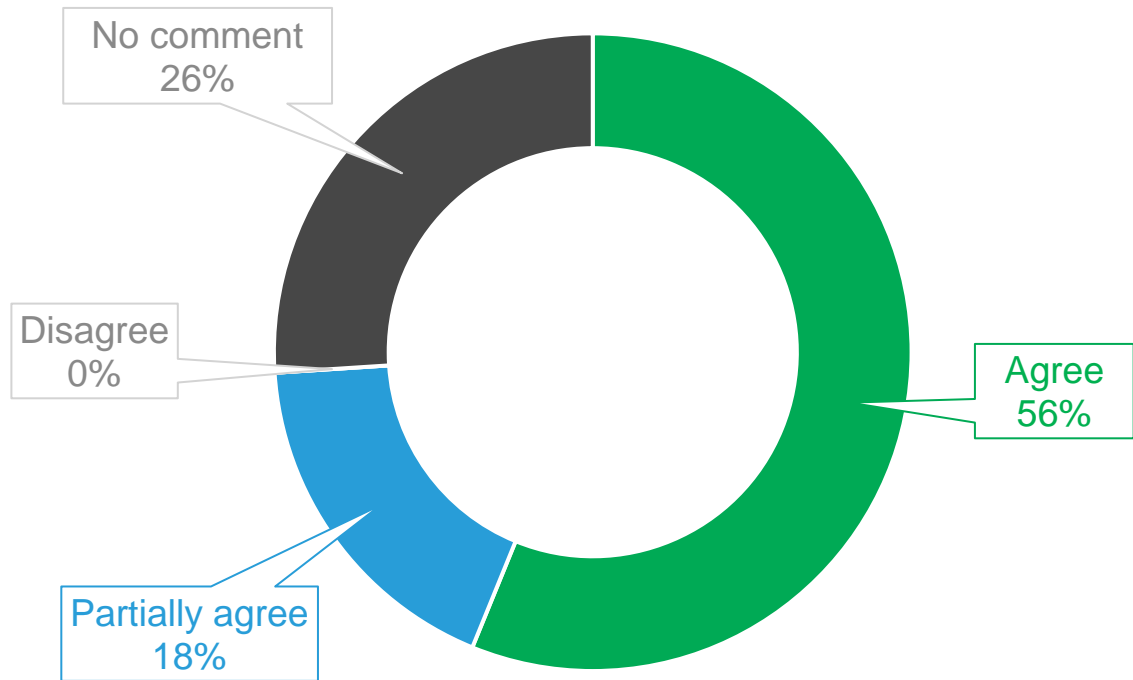
- Staff confirmed that all issues raised by respondents to ED 72 have been considered and addressed
- Staff recommend inclusion of the revised authoritative text in the [draft] Transfer Expenses standard

Does the IPSASB disagree with this recommendation?

Disclosure on Compelled Transactions

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

IG Topic	Revenue	Transfer Expenses
Identifying a Binding Arrangement (BA)	<ol style="list-style-type: none"> 1) Whether transaction arises from BA 2) Changes after inception 	<ol style="list-style-type: none"> 1) Whether transaction arises from BA 2) Changes after inception
Enforceability	<ol style="list-style-type: none"> 3) Whether a transaction is enforceable 4) Revenue subject to appropriations 	<ol style="list-style-type: none"> 3) Whether a transaction is enforceable 4) Transfers subject to appropriations
Transaction without BAs	<ol style="list-style-type: none"> 5) Recognition (taxable event) 6) Measurement 	
Transaction with BAs	<ol style="list-style-type: none"> 7) <u>Recognition</u>: Identifying compliance obligations 8) <u>Recognition</u>: Measuring progress 9) <u>Recognition</u>: Measuring progress for capital transfers 10) <u>Measurement</u>: estimating stand-alone value for allocation purposes 11) <u>Measurement</u>: subsequent measurement of receivables 	<ol style="list-style-type: none"> 5) <u>Recognition</u>: Identifying transfer rights 6) <u>Recognition</u>: Recognizing at inception 7) <u>Recognition</u>: Derecognizing transfer right asset 8) <u>Recognition</u>: Recognizing transfer obligation liability 9) <u>Measurement</u>: Interaction between transfer right asset and transfer obligation liability 10) <u>Measurement</u>: 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:

Revenue
11 IG topics

Transfer Expenses
10 IG topics

Does the IPSASB agree with this recommendation?

IPSASB

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