

Agenda Item 9: Transfer Expenses

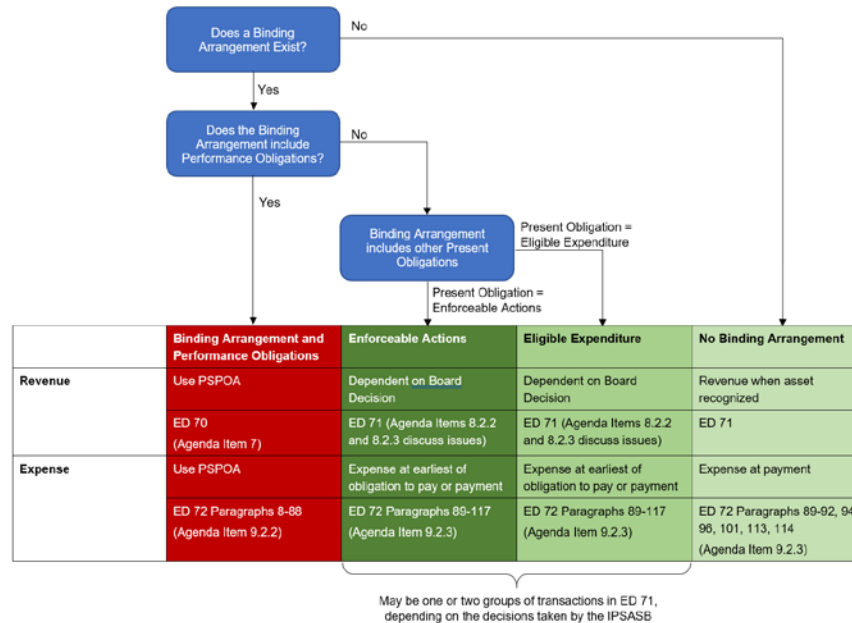
Paul Mason, Senior Advisor

IPSASB Meeting

September 24–27, 2019

Lisbon, Portugal

Summary of ED 72



Definitions (1)

(Agenda Item 9.2.1)

A transfer expense is a transaction in which an entity provides a good, service, or other asset to another entity without receiving any good, service, or other asset.

A transfer provider is an entity that provides a good, service, or other asset to another entity without receiving any good, service, or other asset in return.

A transfer recipient is an entity that receives a good, service, or other asset from another entity without providing any good, service, or other asset to that entity (paragraph AG8 provides additional guidance).

Definitions (2) (Agenda Item 9.2.1)


Stand-alone purchase price (of a good or service) is the price at which an entity would purchase a promised good or service separately from a transfer recipient.

The transaction consideration (for a binding arrangement which imposes one or more performance obligations on a transfer recipient) is the amount of consideration to which an entity (the transfer provider) expects to be obligated to pay in exchange for the transfer recipient transferring promised goods or services to a third-party beneficiary.

A transfer provider's binding arrangement asset is an entity's right to have goods or services transferred to a third-party beneficiary in exchange for consideration provided.

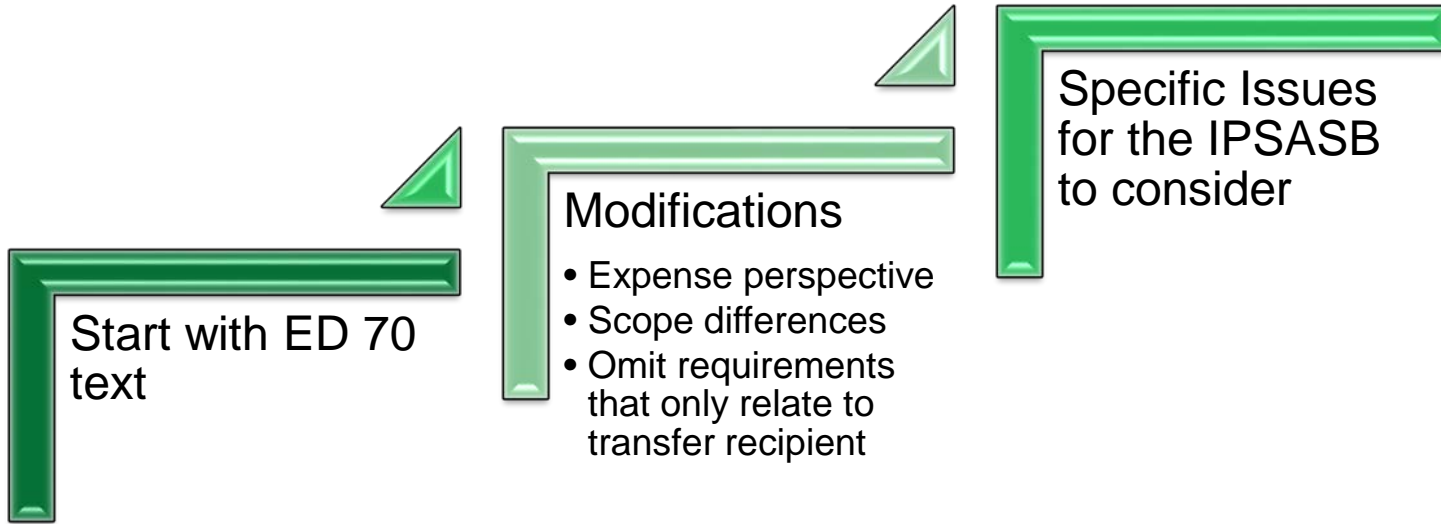
A transfer provider's binding arrangement liability is an entity's obligation to pay consideration in exchange for goods or services that the transfer recipient has transferred to a third-party beneficiary when that obligation is conditioned on something other than the passage of time (for example, the transfer recipient's future performance).

Objective, Scope and Definitions (Agenda Item 9.2.1)



Does the IPSAS support the objective of ED 72 as drafted by staff?	
Does the IPSASB support the scope of ED 72 as drafted by staff?	<ul style="list-style-type: none">• If not, the IPSASB is asked to provide guidance on the revisions to the drafting that are required.
Does the IPSASB support the definitions in ED 72?	<ul style="list-style-type: none">• Does the IPSASB support the staff recommendation that the definitions of transfer provider and transfer recipient be located in ED 71, with a cross-reference provided in ED 72?

Recognition and Measurement: PSPOA (1) (Agenda Item 9.2.2)



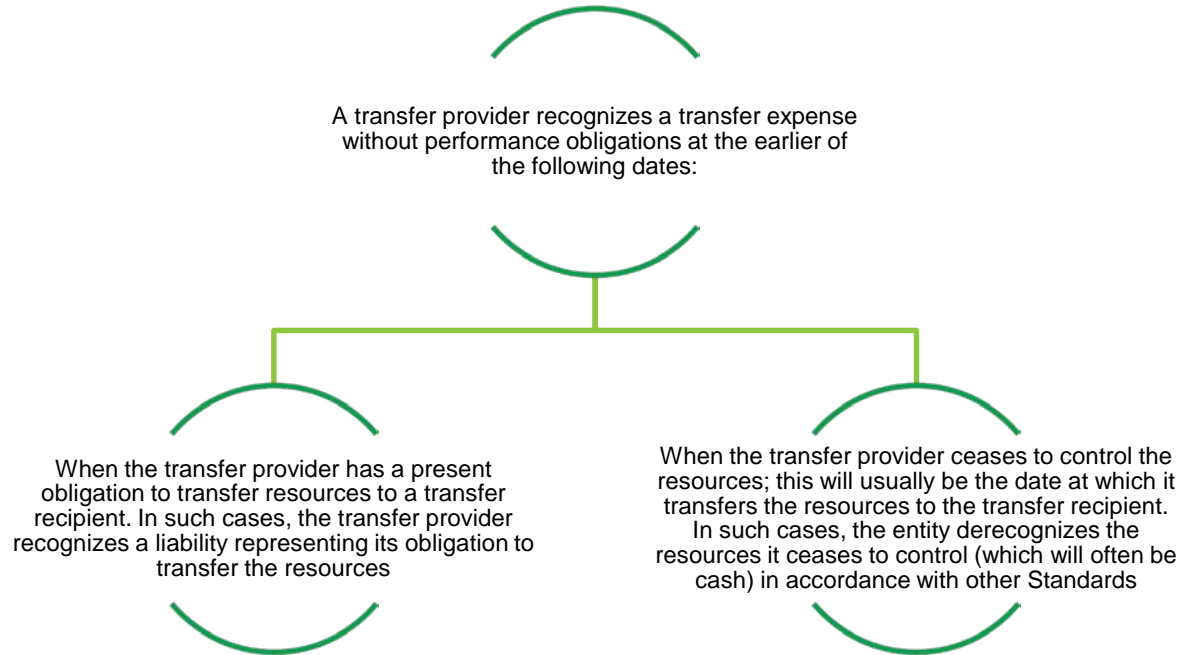
Recognition and Measurement: PSPOA (2) (Agenda Item 9.2.2)

Does the IPSASB wish to retain or remove:

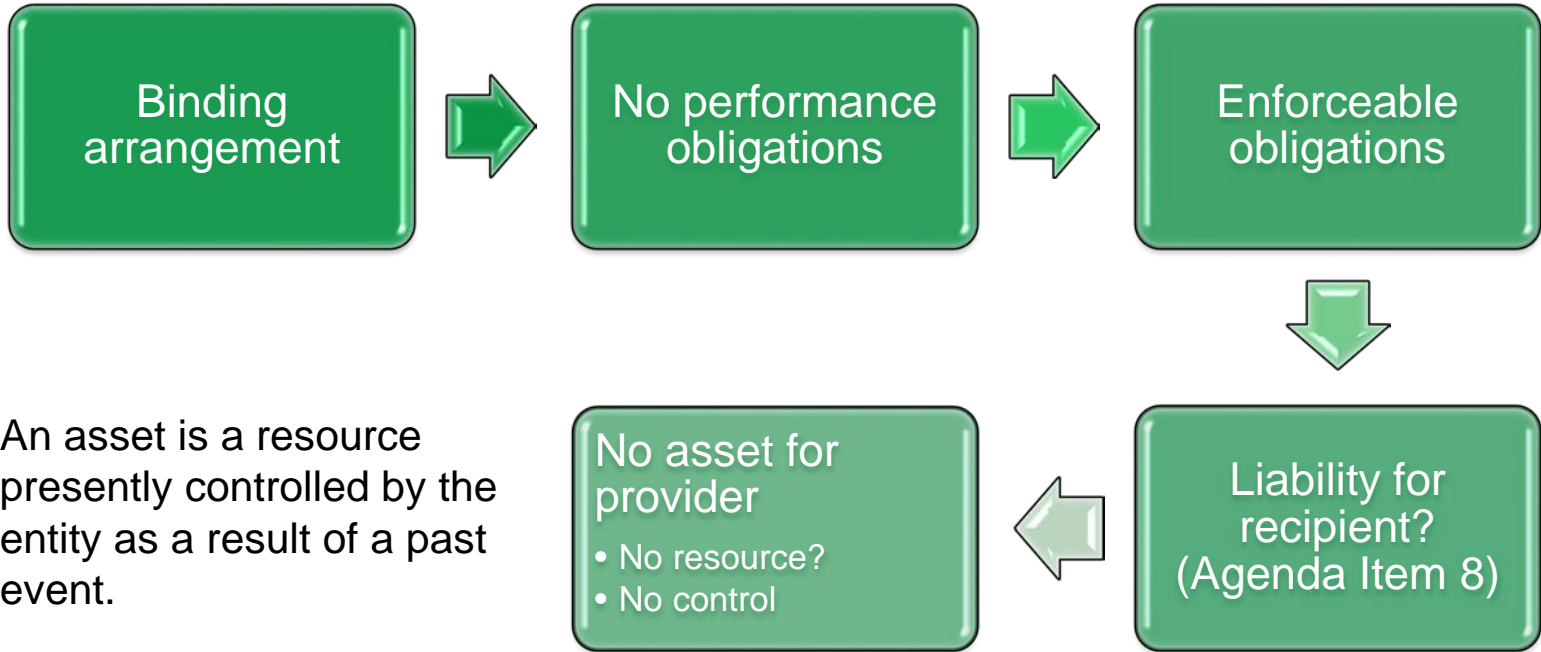
- Guidance on bill and hold arrangements?
- Guidance on input methods for measuring the satisfaction of performance obligations?
- The practical expedient regarding the transfer recipient's performance to date (e.g., hourly billing)?
- Guidance on the estimated cost approach for determining the stand-alone purchase price?
- The example in the guidance on determining the nature of the transfer recipient's promise that refers to ongoing activities that support or maintain the value of intellectual property?

Does the IPSASB support the use of the rebuttable presumption that a recipient's enforceable right to payment is sufficient to provide a reasonable margin?

Transfer Expenses without Performance Obligations: Recognition Principle (Agenda Item 9.2.3)



Binding Arrangements without Performance Obligations (Agenda Item 9.2.3)



An asset is a resource presently controlled by the entity as a result of a past event.

No asset for provider

- No resource?
- No control

Liability for recipient?
(Agenda Item 8)

Transfer Expenses without Performance Obligations (Agenda Item 9.2.3)

Does the IPSASB support the recognition principle?

- In particular, does the IPSASB agree that binding arrangements that impose enforceable activities but not performance obligations on transfer recipients do not give rise to an asset for the transfer provider?
- If the IPSASB decides that enforceable activities can give rise to a liability for the transfer recipient, and that revenue is therefore not recognized immediately, does the IPSASB wish to adopt the alternative approach whereby an expense is only recognized as the transfer recipient performs the performance activities specified in the binding arrangement. This will require the recognition of 'other resources' in the statement of financial position.

Transfer Expenses without Performance Obligations (Agenda Item 9.2.3)

Does the
IPSASB
support
the
guidance
drafted by
staff in
respect of:

Debt forgiveness

Transfer expenses without performance obligations made as a series of transfers

Transfer expenses without performance obligations subject to appropriations

Taxes paid or payable

Measurement principle

Subsequent measurement

Presentation (Agenda Item 9.2.4)

Does the IPSASB support the disclosure requirements relating to transfer expenses with performance obligations as drafted by staff, and, in particular:

- Whether it wishes to retain or remove the disclosure requirements in respect of:
 - Disaggregation of expenses; and
 - Detailed requirements relating to binding arrangement balances; and
- Whether it supports the requirement to disclose how the transfer of goods and services to the third-party beneficiary enables the transfer provider to meet its service objectives.

Does the IPSASB support the disclosure requirements relating to transfer expenses without performance obligations as drafted by staff; and if not, to provide alternative wording?



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