



# Decisions and Instructions

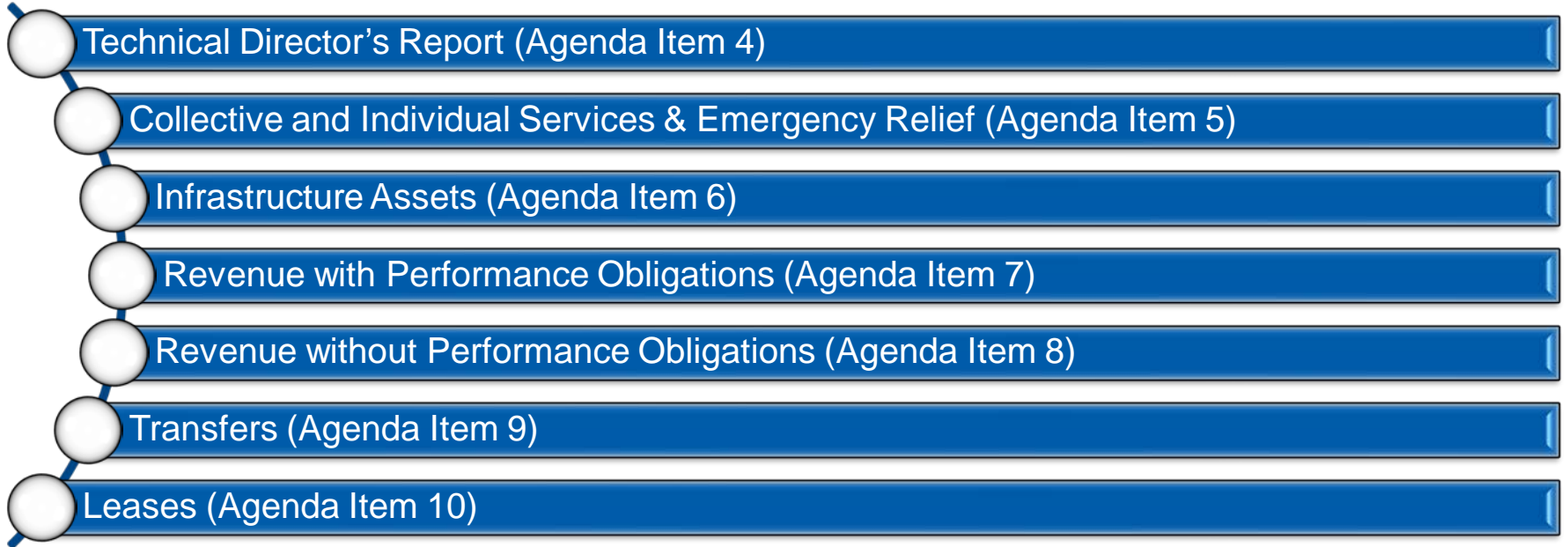
IPSASB Staff

IPSASB Meeting

Lisbon, Portugal

September 24–27, 2019

# Session Outline

- 
- Technical Director's Report (Agenda Item 4)
  - Collective and Individual Services & Emergency Relief (Agenda Item 5)
  - Infrastructure Assets (Agenda Item 6)
  - Revenue with Performance Obligations (Agenda Item 7)
  - Revenue without Performance Obligations (Agenda Item 8)
  - Transfers (Agenda Item 9)
  - Leases (Agenda Item 10)

# Technical Director's Report on the Work Program (Agenda Item 4)

## Decisions

None

## Instructions to Staff

Amend Work Program Process narrative to reflect:

- Board papers are posted 2 weeks in advance of the IPSASB meeting;
- Board papers are agreed with Task Force chair; and
- Task Force meetings occurring during the interim period before the IPSASB meeting should not impact agenda items for the upcoming meeting.

# Collective and Individual Services & Emergency Relief (Agenda Item 5)

## Decisions

The IPSASB agreed with the staff recommendation not to proceed with guidance on emergency relief and to explain the decision in the Basis for Conclusions

The IPSASB agreed with the staff recommendations on the material on collective and individual services, except where it gave alternative instructions to staff

## Instructions to Staff

Develop additional guidance on society as a whole to be included in the final pronouncement

# Collective and Individual Services & Emergency Relief (Agenda Item 5)

## Instructions to Staff

Develop additional guidance that individual services may or may not have eligibility criteria

Develop additional guidance relating to the continuous provision of collective and individual services to emphasize the fact that there is no past event until services have been delivered

Review the wording in the Basis for Conclusions in IPSAS 42, *Social Benefits*, regarding the objective of financial reporting, and to ensure that the drafting of the equivalent paragraph is consistent

Revise the rationale for not including guidance on vouchers in the Basis for Conclusions

# Collective and Individual Services & Emergency Relief (Agenda Item 5)

## Review of Revised Draft Final Pronouncement on Day 4

The IPSASB supported the staff recommendation not to include the words “goods and” in the definition of collective services and agreed a number of other changes to the text.

The IPSASB approved *Collective and Individual Services* (Amendments to IPSAS 19) (14 in favor, 1 against, 1 abstention, 2 absent)

The IPSASB set an effective date for *Collective and Individual Services* (Amendment to IPSAS 19) of January 1, 2022

The IPSASB noted due process had been followed and that re-exposure was not required.

# Infrastructure Assets (Agenda Item 6)

## Infrastructure Assets issues (Agenda Item 6.2.1)

### Decisions

The IPSASB agreed the comprehensive list and categorization of the issues identified by stakeholders when accounting for infrastructure assets.

## Flowchart to analyze Infrastructure Assets issues (Agenda Item 6.2.2)

### Decisions

The IPSASB agreed that the Flowchart approach is helpful to analyze infrastructure assets issues, but that the Flowchart should be amended to reflect IPSASB input.

# Infrastructure Assets (Agenda Item 6)

## Flowchart to analyze Infrastructure Assets issues (Agenda Item 6.2.2)

### Instructions to Staff

Amend the Flowchart as follows:

- Change the question in Decision 3 from *“Does the issue impair the ability of financial statements to provide useful information?”* to *“Is this issue related to general purpose financial statements?”*;
- Change the question in Decision 4 from *“Would additional non-authoritative guidance help constituents with the identified issue?”* to *“Is additional non-authoritative guidance necessary to enhance consistency of application?”*;
- Incorporate the development of Basis for Conclusions in “No further guidance necessary” boxes;
- Add Decision 5 which evaluates whether the issue identified is relevant to other projects?; and
- Specify the type of guidance to be developed as either authoritative or non-authoritative.



# Infrastructure Assets (Agenda Item 6)

## Application of Flowchart (Agenda Items 6.2.3 – 6.2.5)

### Instructions to Staff

Reperform the analysis of the following issues presented using the amended Flowchart:

- Accounting for land under infrastructure assets;
- Application of control requirements to complex infrastructure assets; and
- Disclosure requirements of infrastructure assets.

Where appropriate, prepare draft guidance for the issues analyzed for the IPSASB's consideration at the December 2019 meeting.

Consider the development of additional guidance in the context of where it should be located. These discussions should be co-ordinated with the Measurement Project and the Heritage Project and in the consideration of the work on revising/re-presenting Study 14 material.

# Revenue with Performance Obligations (Agenda Item 7)

## Decisions

1. The IPSASB agreed with the following staff recommendations on disclosures:
  - There is no public sector reason to remove any IFRS 15 disclosure requirements;
  - The addition of the paragraph regarding materiality and aggregation; and
  - The addition of the disclosure requirements for compelled transactions where collectability is not probable.

## Instructions to Staff

1. The IPSASB instructed the staff to remove the proposed footnote regarding the definition of Fair Value in the exposure draft.

# Revenue without Performance Obligations (Agenda Item 8)

## Decisions

- The IPSASB agreed all necessary authoritative text was brought from IPSAS 23.
- The past event from a revenue transaction that arises from a binding arrangement is when the parties entered into that arrangement.
- That using resources provided via a binding arrangement to either complete enforceable activities, incur eligible expenditure or repayment in the event of a breach are all considered to be an outflow of resources.
- Revenue is recognised as enforceable activities are completed or eligible expenditure is incurred.

# Revenue without Performance Obligations (Agenda Item 8)

## Decisions cont.

- Text on control of an asset should discuss appropriations as one possible indicator of control but it is jurisdictionally specific
- Capital transfers are to be accounted in the same manner as other transfers – it will depend on the arrangement (binding or not)

# Revenue without Performance Obligations (Agenda Item 8)

## Instructions

### Agenda Item 8.2.1 (draft ED)

- Ensure text agreed in Sept 2018 re compulsory contributions is included
- Develop a staff paper which discusses the overall approach to revenue and expenses and the linkages between EDs 70, 71 and 72. This includes reviewing:
  - The scope of all 3 ED's to ensure no 'gaps';
  - Consistency of the definitions used;
  - Consistency of the use of terminology used;
  - Consistency of disclosures (as required); and
  - Consistency of illustrative examples (as required).
- This is to be completed in advance of the December meeting.

# Revenue without Performance Obligations (Agenda Item 8)

## Instructions

### Agenda Item 8.2.1 (draft ED) cont.

- Ensure that the additional guidance in paragraph 30 regarding hybrid transactions is consistent with the guidance in ED 70
- Review paragraphs 34-35 (Recognition of revenue from transactions without performance obligations)
- Review the text in paragraph 36 regarding 'revenue is recognized as the research is conducted and certain milestones are achieved' - reconsider the use of 'milestone'
- Review the comment at the end of paragraph 53 regarding whether that paragraph needs to be amended for enforceable activities and eligible expenditure

# Revenue without Performance Obligations (Agenda Item 8)

## Instructions

### Agenda Item 8.2.1 (draft ED) cont.

- Revise paragraphs 3(b) and 66 (re types of transfers) to ensure consistency of wording (e.g. use of such words as 'certain')
- Consider the diagram presented June 2019 regarding the transfers in each ED
- Review paragraph 71 regarding the use of the term 'transfer agreement'
- Map disclosures across EDs 70 and 71 considering their consistency
- The relevant basis for conclusion paragraphs should be brought over from IPSAS 23
- Consider the appropriateness of the presentation requirements in IPSAS 1 (exchange / non-exchange)

# Revenue without Performance Obligations (Agenda Item 8)

## Instructions

### Agenda Item 8.2.1 (draft ED) cont.

- A table of concordance identifying all text brought over from IPSAS 23 (both authoritative and non-authoritative), and identifying new text should be prepared and included in the ED
- The material in paragraphs 25-29, is to be condensed to be in line with ED 70
- Where revenue recognition patterns are similar to those in ED 70 ensure the rationale for the pattern of recognition is the similar.
- Review all IPSAS for consequential amendments
- Review paragraph 18 (Control of an asset) and revise in light of a performance obligation



# Revenue without Performance Obligations (Agenda Item 8)

## Instructions to Staff

### Agenda Item 8.2.3 (Outflow of Resources)

- Need to consider the discussion about ‘through who’s eyes is there a breach of an agreement’ and the consequences of a breach subsequent to the ‘completion’ of the binding arrangement.
- Include a discussion on binding arrangements that may lead to an onerous contract.

# Revenue without Performance Obligations (Agenda Item 8)

## Instructions to Staff

### Agenda Item 8.2.5 (Capital Grants)

- Use the term transfer not grant
- Include in the Basis for Conclusions the difference between the accounting in ED 71 and IAS 20
- Include examples, including when the asset is to be used for a particular purpose subsequent to its acquisition/construction
- Include an SMC communicating the difference between the approach in IAS 20 and the approach proposed in ED 71 (note other SMCs will be included where required)
- Need to articulate clearly why these transactions are not in ED 70

# Revenue without Performance Obligations (Agenda Item 8)

## Instructions to Staff

### Agenda Item 8.2.6 (Initial Measurement of Non-Contractual Receivables)

- Need to bring back to the Board further analysis that considers discounting.
- Develop a diagram which considers the relationships between:
  - Nominal tax collected
  - Tax expenditures (allowances)
  - Legally collectable taxes
  - What to show on the face the financial statements and what to include in the notes
- Develop a paper illustrating the linkages with IPSAS 41

# Transfer Expenses (Agenda Item 9)

## Decisions

### *Objective, Scope and Definitions*

To support the objective of the ED.

To retain the definitions of stand-alone purchase price, transaction consideration, transfer provider's binding arrangement asset and transfer provider's binding arrangement liability unchanged.

To locate the definitions of transfer provider and transfer recipient in ED 71, *Revenue without Performance Obligations*, and to provide a cross-reference in ED 72.

# Transfer Expenses (Agenda Item 9)

## Decisions

### *Public Sector Performance Obligation Approach*

To retain the guidance on bill and hold arrangements.

To replace the guidance on input methods; the practical expedient relating to the transfer recipient's performance to date; the estimated cost approach for determining the stand-alone purchase price; and the example in the guidance on ongoing activities that support or maintain the value of intellectual property with a cross-reference to the equivalent guidance in ED 70, noting that this can be relied on where the transfer provider has the appropriate information.

To delete paragraph AG43.

# Transfer Expenses (Agenda Item 9)

## Decisions

### *Transfer Expenses without Performance Obligations*

To support the recognition principle included in ED 72 as drafted by staff, and in particular 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.

Not to introduce the concept of 'other resources' in ED 72.

To approve the proposals for debt forgiveness and transfer expenses provided as a series of transfers, subject to agreed minor amendments.

# Transfer Expenses (Agenda Item 9)

## Decisions

### *Transfer Expenses without Performance Obligations*

To approve the proposals for taxes payable, subject to excluding payroll taxes within the scope of IPSAS 39, *Employee Benefits*, from the scope of the ED, and explaining the link with tax revenue in ED 71 in the Basis for Conclusions.

To approve the measurement principle.

To approve the proposals for subsequent measurement, subject to explaining in the Basis for Conclusions the reason for the inclusion of the subsequent measurement of non-contractual payables.

# Transfer Expenses (Agenda Item 9)

## Decisions

### *Presentation*

To remove the disclosures relating to the disaggregation of expenses and the detailed requirements relating to binding arrangements.

Not to include the disclosure relating to service objectives.

## Instructions to Staff

### *Objective, Scope and Definitions*

Review the scope exclusions in the draft ED to ensure all relevant transactions, for example leases, are excluded.



# Transfer Expenses (Agenda Item 9)

## Instructions to Staff

### *Objective, Scope and Definitions*

Review the drafting of the definitions of transfer expense, transfer provider and transfer recipient with a view to improving the clarity of the definitions.

Include guidance to clarify that agent/principal arrangements and arrangements where the transfer provider gains control of the transfer recipient's output are outside the scope of ED 72.

### *Public Sector Performance Obligation Approach*

Amend the references to a third-party beneficiary gaining control of a good or service to include the transfer recipient losing control of the good or service

# Transfer Expenses (Agenda Item 9)

## Instructions to Staff

### *Transfer Expenses without Performance Obligations*

Review the terminology and revise to enhance clarity and the links with ED 71.

Develop additional guidance on when control of a transferred asset is lost.

Develop additional guidance linking transfer expense without performance obligations to enforceable obligations in ED 71.

Include a sub-heading before the debt forgiveness paragraph, and include a cross-reference to IPSAS 41.

Delete the word “separately” in paragraph 96 (series of transfers).

# Transfer Expenses (Agenda Item 9)

## Instructions to Staff

### *Transfer Expenses without Performance Obligations*

Align the treatment of transfers subject to appropriations with the accounting being developed in ED 71.

### *Presentation*

Review the disclosures in the light of the developments in ED 70 and ED 71.

Develop a cross-reference to link transfer expenses subject to appropriations with the contingent liability guidance in IPSAS 19.

# Leases (Agenda Item 10)

## Decisions

Depart from IFRS 16 Lessor Accounting would be justified on conceptual reasons, but on condition on the practical issues analysis on lessors and lessees.

## Instructions to Staff

The Task Force and staff must reflect on the discussions of practical issues arising from the implementation of IFRS 16 (both lessor and lessee), review the material presented at this meeting in 10.2.1 and 10.3.1, refine it to incorporate the discussions at this meeting, and bring recommendations to the December IPSASB meeting.

# Leases (Agenda Item 10)

## Instructions to Staff

Compare the Conceptual Framework of IPSASB, IASB, FASB and GASB on definitions of Asset, Liability and Control.

More detailed Basis for Conclusions presenting all the nuances in each issue.

Merge criterion Consistency with IPSAS 32 with criterion Consistency with IPSAS.

Analyze practical issues on lessee accounting.

Include practical issues on lessee accounting in lessor analysis.

Assess the benefits of adopting the right-of-use model in the public sector for lessors and lessees.

# Leases (Agenda Item 10)

## Instructions to Staff

Assess in more detail property leases and other types of leases.

Monitor the activity of the IASB and IFRIC as it relates to IFRS 16. Correspond with counterparts as necessary.

Assess the principles in ED 70 to lessor accounting (performance obligation satisfied over time or at a point in time?).

# Heritage (Agenda Item 11)

## Decisions

None

## Instructions to Staff

Revise the order of issues as follows:

- (2) heritage usage;
- (1) ownership/stewardship;
- (4) depreciation/impairment; and
- (3) subsequent expenditure.

# Heritage (Agenda Item 11)

## Instructions to Staff

Provide an evaluation of the adequacy of IPSAS 17's guidance for each issue:

- Be clear about what guidance is already available in IPSAS 17
- Is existing guidance sufficient?
- Does it need to be strengthened to address heritage accounting issues?
- Is application or implementation guidance needed?)

Provide a recommendation with text drafted (e.g. possible application guidance)

Draft Basis for Conclusions text

Provide clear exposition from a heritage point of view (Is the issue specific for heritage? Provide a log of heritage-specific issues.)



# Other Issues

## Decisions

None

## Instructions to Staff

Prior to the December 2019 IPSASB meeting:

- Prompt members via email to provide issues when accounting for Infrastructure Assets and Heritage Items; and
- Provide members with outline of key items agenda decisions that will be made at the upcoming meeting.



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