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Ms. Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Drive West
Toronto, Ontario Canada M5V 3H2

Dear Ms. Fox:

Thank you for the opportunity to offer comments on Exposure Draft 34, *Social Benefits: Disclosure of Cash Transfers to Individuals or Households.* This response was prepared by the Governmental Accounting Standards Board's (GASB) staff. A draft of this response was provided to individual GASB members for their input. Official positions of the GASB are determined only after extensive due process and deliberation.

Overall, we *do not* support the issuance of this document as a final standard in its present form. However, with extensive modification, we believe that a final standard that addresses the social benefit programs of a government could be issued.

We do hope that the IPSASB finds the following responses to specific matters for comment and detailed observations to be of value during its deliberations.

Question 1. Is the overall scope of this ED appropriate?

The benefits within the scope of the ED, including composite social security programs is appropriate; however, including the disclosure of "amounts expected to be transferred to individuals or households that are eligible at the date for cash transfers provided in non-exchange transactions" is not appropriate. The basis for this position is presented in the response to Question 3.

Question 2. Are the new definitions in this ED sufficiently clear and comprehensive?

We agree that the new definitions presented in the ED are clear and comprehensive. If the recommendations that we make below are accepted, then the definition of "threshold eligibility criteria" can be eliminated.

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Question 3. Are the requirements for determining the amounts expected to be transferred to eligible individuals or households appropriate?

We strongly believe that *no amounts* associated with expected transfers should be disclosed in the notes to the financial statements as a result of this project. Based on research conducted in the United States, we believe that a liability notion based on the "eligibility requirement" approach found in IPSAS 23, *Revenue From Non-Exchange Transactions (Taxes and Transfers),* and GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (responding to the consultation paper), and presentations that will result from the *Long-Term Fiscal Sustainability Reporting* project (as set forth in the accompanying project brief) will provide financial statement users with significantly more relevant information than would be provided based on the "continuous entitlement" approach outlined in paragraph 32. The Federal Accounting Standards Advisory Board (FASAB) in the United States has performed extensive work in the area of social insurance and is currently working on fiscal sustainability guidance. The GASB also has an economic condition project on its research agenda that encompasses fiscal sustainability. We believe that the IPSASB can make substantial progress on this topic in a relatively short period of time with the help of national standard setters in the United States and around the world.

In the interim, we are concerned that any amount required to be disclosed in the notes to the financial statements could potentially bias the results of any future liability recognition project. We have found that once governments go to the effort to collect data in order to calculate a prescribed amount for a particular purpose, they are less inclined to consider change for another purpose (for example, display as a liability) even when the appropriateness of another amount is clearly demonstrated.

Question 4. Are the disclosure requirements in paragraph 45 appropriate?

No. As noted above, we do not believe that the disclosure requirements associated with the calculation of a "continuous eligibility" amount is an appropriate note disclosure. We do not believe that this amount either meets the definition of a liability or would provide relevant information as effectively as presentations based on a fiscal sustainability notion. The elimination of the associated requirements found in 45 (b), (d), (f), and (g) would significantly reduce the complexity of the disclosure requirement.

Even with the elimination of the disclosures associated with the "continuous entitlement" amount, we are still concerned that the disclosure requirement will be too onerous for many large governments. These governments administer hundreds of cash transfer programs. We do not believe that the materiality provision contained in paragraph 13 of

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IPSAS 1, Presentation of Financial Statements, provides adequate guidance for this situation. Using a principle-based standards approach, the term "major program" would signal to financial statement preparers and users that information about only the most significant programs (generally, only a few) would be presented.

Question 5. Are the disclosure requirements in paragraph 45 going to provide information that is verifiable?

We believe that *if* the disclosures associated with the "continuous entitlement" amount are eliminated, the disclosure requirements would be verifiable.

Question 6. Are the implementation arrangements are appropriate?

If the disclosures associated with the "continuous entitlement" amounts are eliminated and our other suggestions are adopted, we believe that the effective date of the standard can be accelerated. The standard could become effective one year after issuance.

If you have any questions regarding this response, please contact me.

Sincerely,

David R. Bean