



FINANCIAL REPORTING COUNCIL OF NIGERIA
Federal Ministry of Industry, Trade and Investment

October 26, 2020

Ross Smith
Program & Technical Director
International Public Sector Accounting Standards Board
227 Wellington Street
West Toronto, ON M5V 3H2
Canada

Dear Sir/Madam,

**COMMENTS ON INTERNATIONAL PUBLIC SECTOR ACCOUNTING
STANDARDS BOARD (IPSASB) EXPOSURE DRAFT (ED) 72 - TRANSFER
EXPENSES**

The Financial Reporting Council of Nigeria (FRC) hereby avails its input alongside its constituents in Nigeria on the IPSASB Exposure Draft ED/72 - *Transfer Expenses*.

In view of the responses received from the constituents in Nigeria, the Council wishes to comment on the exposure draft ED/72 as hereunder:

Specific Matter for Comment 1:

The scope of this [draft] Standard is limited to transfer expenses, as defined in paragraph 8. The rationale for this decision is set out in paragraphs BC4–BC15.

Do you agree that the scope of this [draft] Standard is clear? If not, what changes to the scope or definition of transfer expense would you make?

The scope of the draft on transfer expenses with a clear decision rationale as set out in Paragraphs BC4–BC15 justifies the clarity of the draft standard. Hence, there is no reason to doubt the explicitness of the definition.

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Specific Matter for Comment 2:

Do you agree with the proposals in this [draft] Standard to distinguish between transfer expenses with performance obligations and transfer expenses without performance obligations, mirroring the distinction for revenue transactions proposed in ED 70, *Revenue with Performance Obligations*, and ED 71, *Revenue without Performance Obligations*?

If not, what distinction, if any, would you make?

With reference to the distinction for revenue transaction as proposed in ED 70 and 71 on Revenue with Performance Obligations and Revenue without Performance Obligations respectively, it is imperative that transfer expenses with performance obligations and without performance obligations are clearly distinguished. This has been thoroughly done.

Specific Matter for Comment 3:

Do you agree with the proposal in this [draft] Standard that, unless a transfer provider monitors the satisfaction of the transfer recipient's performance obligations throughout the duration of the binding arrangement, the transaction should be accounted for as a transfer expense without performance obligations?

The Council agrees that a transaction should be accounted for as a transfer expense without any performance obligations whatsoever provided that a transfer provider monitors the satisfaction of the transfer recipient's performance obligations throughout the duration of the binding arrangement.

Specific Matter for Comment 4:

This [draft] Standard proposes the following recognition and measurement requirements for transfer expenses with performance obligations:

- (a) A transfer provider should initially recognize an asset for the right to have a transfer recipient transfer goods and services to third-party beneficiaries; and

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- (b) A transfer provider should subsequently recognize and measure the expense as the transfer recipient transfers goods and services to third-party beneficiaries, using the public sector performance obligation approach.

The rationale for this decision is set out in paragraphs BC16–BC34.

Do you agree with the recognition and measurement requirements for transfer expenses with performance obligations? If not, how would you recognize and measure transfer expenses with performance obligations?

The rationale for the decision on transfer expenses with performance obligations as regards a transfer provider initially recognizing an asset for the right to have a transfer recipient transfer goods and services to third-party beneficiaries; and that a transfer provider should subsequently recognize and measure the expense as the transfer recipient transfers goods and services to third-party beneficiaries, using the public sector performance obligation approach has been clearly set out in paragraphs BC16–BC34 of the draft, hence there is no contrary opinion to the proposed.

Specific Matter for Comment 5:

If you consider that there will be practical difficulties with applying the recognition and measurement requirements for transfer expenses with performance obligations, please provide details of any anticipated difficulties, and any suggestions you have for addressing these difficulties.

The practical application of recognition and measurement requirement for transfer expenses with performance obligations in the proposed draft is clear enough and will be not difficulty in its application.

Specific Matter for Comment 6:

This [draft] Standard proposes the following recognition and measurement requirements for transfer expenses without performance obligations:

- (a) A transfer provider should recognize transfer expenses without performance obligations at the earlier of the point at which the transfer provider has a

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present obligation to provide resources, or has lost control of those resources (this proposal is based on the IPSASB's view that any future benefits expected by the transfer provider as a result of the transaction do not meet the definition of an asset); and

- (b) A transfer provider should measure transfer expenses without performance obligations at the carrying amount of the resources given up?

Do you agree with the recognition and measurement requirements for transfer expenses without performance obligations? If not, how would you recognize and measure transfer expenses without performance obligations?

With exception to performance obligations, the draft standard proposition on recognizing a transfer provider's transfer expenses without performance obligation at the earlier point at which the transfer provider has a present obligation to provide resources, or has lost control of those resources based on IPSASB's and that transfer provider should measure transfer expenses without performance obligations at the carrying amount of the resources given up is significant, to this end, I conform with the IPSASB recognition and measurement requirement for transfer expenses without performance obligations.

Specific Matter for Comment 7:

As explained in SMC 6, this [draft] Standard proposes that a transfer provider should recognize transfer expenses without performance obligations at the earlier of the point at which the transfer provider has a present obligation to provide resources, or has lost control of those resources. ED 71, *Revenue without Performance Obligations*, proposes that where a transfer recipient has present obligations that are not performance obligations, it should recognize revenue as it satisfies those present obligations. Consequently, a transfer provider may recognize an expense earlier than a transfer recipient recognizes revenue.

Do you agree that this lack of symmetry is appropriate? If not, why not?

The Council agrees that this imbalance is pertinent.

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Specific Matter for Comment 8

This [draft] Standard proposes that, when a binding arrangement is subject to appropriations, the transfer provider needs to consider whether it has a present obligation to transfer resources, and should therefore recognize a liability, prior to the appropriation being authorized. Do you agree with this proposal?

If not, why not? What alternative treatment would you propose?

The Council agrees with the draft proposition that, the transfer provider needs to consider whether it has a present obligation to transfer resources, and should therefore recognize a liability, prior to the appropriation being authorized in a binding arrangement.

Specific Matter for Comment 9:

This [draft] Standard proposes disclosure requirements that mirror the requirements in ED 70, *Revenue with Performance Obligations*, and ED 71, *Revenue without Performance Obligations*, to the extent that these are appropriate.

Do you agree the disclosure requirements in this [draft] Standard are appropriate to provide users with sufficient, reliable and relevant information about transfer expenses? In particular,

- (a) Do you think there are any additional disclosure requirements that should be included?
- (b) Are any of the proposed disclosure requirements unnecessary?

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In comparison with the ED 70 and Ed 71 disclosure requirements on Revenue with Performance Obligations and Revenue without Performance Obligations, the draft standard will in all manners provide a satisfactory and relevant information about transfer expenses, to this end, all disclosure requirements as proposed in the draft are necessary for a robust and comprehensive information about transfer expenses to users.

If you require any further information or clarification, do not hesitate to contact the Head, Directorate of Accounting Standards (Public Sector) on:
ioanyahara@financialreportingcouncil.gov.ng

Yours faithfully,

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Head, Directorate of Accounting Standards – Public
For: Executive Secretary/CEO

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