

# Exposure Draft (ED) 72 - Transfer Expenses

## Specific Matters for Comment

### SMC 1: The scope of ED 72.

CNC: The scope is clear as far as transfers are concerned. Nevertheless, we may not agree with this concept because there is a profound lack in the scope to deal with the mirror of ED 70 (if user charges and barrier fees are included) or ED 71 (if user charges and barrier fees are included within ED 70), as we have already stated previously (“**ED 70 SMC 01** The scope is clear but we cannot agree with this concept, as it is not thorough enough to encompass user charges and typical public sector revenues related to the removal of obstacles (e.g. fees) that are not within the scope of ED 71. Moreover, there are several transactions within the public sector with subsidized prices that seem to encompass ED 70. Nevertheless, it is hard to stretch “performance obligations” within certain taxes that serve as entry fees (e.g. within the health sector, for instance)”).

### SMC 2: The distinction between transfer expenses with performance obligations and transfer expenses without performance obligations.

CNC: We do not agree with the proposal. As in Portugal we do not lose control of the asset (there is law enforcement) we do not favour a different treatment for binding arrangements without performance obligations. Furthermore, as the operation is not the complete mirror of ED 71, we would also experience difficulties with consolidation procedures.

### SMC 3: The requirement that a transfer provider monitor the satisfaction of performance obligations to apply the PSPOA.

CNC: It is exceedingly complex to assure continuous monitoring. Therefore, more guidance is required when there are gaps in the time frame of monitoring the performance obligation (it is inadequate to consider transfer from a performance obligation arrangement to a non-performance obligation arrangement). We think that it should be taken into consideration the administrative burden and costs, among other things.

**SMC 4: Recognition and measurement of transfer expenses with performance obligations.**

CNC: We agree with the proposal, taking into consideration SMC 03.

**SMC 5: Practicality of applying the PSPOA.**

CNC: There are practical difficulties as already mentioned in SMC 03. There are data collection issues, workflow approvals, administrative burden and costs, time frame for the implementation, and new procedures approach. The monitoring should be framed in terms of cost-benefit analysis.

**SMC 6: Recognition and measurement of transfer expenses without performance obligations.**

CNC: We do not agree as explained in SMC 02. It should mirror ED 71.

**SMC 7: Appropriateness of the different recognition points for transfer expenses without performance obligations and revenue without performance obligations (ED 71).**

CNC: We do not agree as explained in SMC 02 e 06. It should mirror ED 71.

**SMC 8: Transfer expenses subject to appropriations.**

CNC: We do not agree with this proposal as in Portuguese public administrative law without appropriation authorization there are no enforceable rights by the recipient of resources.

**SMC 9: Disclosure requirements.**

CNC: We agree with the proposal, though we find rather hard to evaluate the balance between “too much” or “too little”. Judgement from the preparer is necessary in terms of quantitative and qualitative substance of the materiality of both classes of transactions and account balances in the disclosure.

Lisbon, 1<sup>st</sup> September 2020