

Exposure Draft (ED) 72 - Transfer Expenses

Specific Matters for Comment

SMC 1: The scope of ED 72.

Comment: The scope is clear as far as transfers are concerned. Nevertheless, this concept determines new issues, once there is a 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 already stated previously (“**ED 70 SMC 01**). *The scope is clear but this concept seems to bring new problems, 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.

Comment: The proposal seems to determine more issues than benefits. As in Portugal we may not lose control of the asset (there is law enforcement), a different treatment for binding arrangements without performance obligations seems to bring only more complexity without benefits. Furthermore, as the operation is not the complete mirror of ED 71, we would also face difficulties considering consolidation procedures.

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

Comment: It is exceedingly complex to assure continuous monitoring. Therefore, more guidance is required when there are gaps in the period of monitoring the performance obligation (it is not considered adequate to assume transfers from a performance obligation arrangement to a non-performance obligation arrangement). Furthermore, other elements such as administrative burden and costs should be taken into consideration.

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

Comment: Agreed, taking into consideration SMC 03.

SMC 5: Practicality of applying the PSPOA.

Comment: There are operational difficulties as already mentioned in SMC 03. There are data collection issues, workflow approvals, administrative burden and costs, period 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.

Comment: The proposal seems to determine more issues than benefits, 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).

Comment: The proposal seems to determine more issues than benefits, as explained in SMC 02 e 06. It should mirror ED 71.

SMC 8: Transfer expenses subject to appropriations.

Comment: Disagreed, 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.

Comment: Agreed with the proposal, though it may be 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.

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