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(Established by Act of Parliament No. 15 of 1965)

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Registrar/Chief Executive

AHMED M. KUMSHE (PROF.), FCA

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ICAN/ED/R&T/OCT31/2020

IPSASB

277 Wellington Street West

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Canada.

Dear Sir,

Re: EXPOSURE DRAFT 72 – TRANSFER EXPENSES

Please find below our responses to the above-named Exposure Draft.

Specific Matter for Comment 1:

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?

Response: We agree that the scope of this [draft] Standard is clear. But the Board may consider the following:

- Need for clarification: In the definition “*A transfer expense is an expense arising from a transaction, other than taxes, in which an entity provides a good, service, or other asset to another entity (which may be an individual) without directly receiving any good, service, or other assets in return (paragraphs AG6–AG7 provide additional guidance)*” the phrase “other than taxes” is not clear. In emerging economies and different government structures where this IPSAS will be applied, it would be necessary to clarify transfer expenses other than taxes. An illustrative example may be provided to enhance understanding on this particular issue.
- We noticed that parts (a) and (b) of the objective, may not be properly worded. We would appreciate if the Board could make some adjustments to the wording of the set objectives, to ensure it is clearer.

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?

Response: We 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.

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?

Response: The Board should evaluate the unintended consequences of introducing the concept of the transfer provider monitoring the satisfaction of performance obligations throughout the duration of a binding arrangement as one of the criteria to be met before recognizing such transfer expense under the scope of transfer expenses with performance obligations.

The concept of monitoring, for transfer expenses with a binding arrangement is a strange concept. The concept could alter the timing and extent of recognition of transfer expense for transactions with binding arrangement. The concept is difficult to operationalize as it creates room for subjectivity in the determination of when and how a transfer provider should carry out monitoring activities.

Furthermore, we do not believe that the use of transfer expense without performance obligation to account for the aforementioned transfer expenses will faithfully represent the nature of such transfer expenses due to the introduction of the concept of monitoring.

We believe that the transfer provider obtaining evidence that the performance obligation has been satisfied by the transfer recipient should be considered sufficient.

Specific Matter for Comment 4:

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?

Response: We agree with the recognition and measurement requirements for transfer expenses with performance obligations.

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.

Responses: We request for additional illustrative examples to facilitate better understanding, because it might be difficult for users to understand.

As we have earlier mentioned in our response to ED 71 under comment 4, a situation where the performance obligations come in a bundled form of assets and services and the services are rendered over time, may lead to practical difficulties in recognition and measurement without provision of further illustrative examples.

Specific Matter for Comment 6:

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?

Response: We agree with the recognition and measurement requirements 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?

Response: We agree that this lack of symmetry is appropriate.

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?

Response: We agree with the proposal.

Specific Matter for Comment 9:

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?

Response: We agree the disclosure requirements in this [draft] Standard are appropriate to provide users with sufficient, reliable and relevant information about transfer expenses, since it's aligned with the ED71 and ED70.

We thank you for giving us the opportunity to contribute to the Exposure Draft and we are available should there be need for further clarifications.

Yours faithfully,

For: Registrar/Chief Executive



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