

Final Pronouncement
January 2020

IPSAS®

International Public Sector Accounting Standard®

Collective and Individual
Services (Amendments to
IPSAS 19, *Provisions,
Contingent Liabilities and
Contingent Assets*)

IPSASB

International Public
Sector Accounting
Standards Board®

This document was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances.

In meeting this objective the IPSASB sets IPSAS® and Recommended Practice Guidelines (RPGs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

IPSAS relate to the general purpose financial statements (financial statements) and are authoritative. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS RPGs do not establish requirements. Currently all pronouncements relating to GPFRs that are not financial statements are RPGs. RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected.

The structures and processes that support the operations of the IPSASB are facilitated by the International Federation of Accountants® (IFAC®).

Copyright © January 2020 by the International Federation of Accountants (IFAC). For copyright, trademark, and permissions information, please see [page 14](#).

COLLECTIVE AND INDIVIDUAL SERVICES (AMENDMENTS TO IPSAS 19)

CONTENTS

	Page
Amendments to IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	5
Amendments to IPSAS 42, <i>Social Benefits</i>	13

Purpose

1. The purpose of these amendments to IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, is to provide guidance on determining whether a provision arises for collective and individual services. These transactions may have been previously encompassed in the wide description of social benefits in the IPSAS 19 scope exclusion. Following the publication of IPSAS 42, *Social Benefits*, the IPSASB has adopted a narrower definition of social benefits that excludes collective and individual services. Consequently, the IPSASB decided to provide guidance on whether a provision arises for collective and individual services through amendments to IPSAS 19.

IPSAS Addressed

IPSAS	Summary of Change
IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	Provide guidance on determining whether a provision arises for collective and individual services.
IPSAS 42, <i>Social Benefits</i>	Consequential amendment to refer to the guidance in IPSAS 19 for certain transactions outside the scope of IPSAS 42.

Amendments to IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*

Paragraphs 6A and 111J are added and paragraph 18 is amended. New text is underlined.

The Application Guidance in Appendix A (paragraphs AG1–AG20) and the section of the Basis for Conclusions discussing *Collective and Individual Services* (Amendments to IPSAS 19) (paragraphs BC6–BC21) are added. Because these are new sections, no mark-up has been used.

...

Scope

...

6A. This Standard provides guidance on determining whether, and if so, when, a provision arises from collective and individual services (paragraphs AG2–AG20).

...

Definitions

18. The following terms are used in this Standard with the meanings specified:

Collective services are services provided by a public sector entity simultaneously to all members of the community that are intended to address the needs of society as a whole.

...

Individual services are goods and services provided to individuals and/or households by a public sector entity that are intended to address the needs of society as a whole.

...

Effective Date

...

111J. Paragraphs 6A and AG1–AG20 were added and paragraph 18 was amended by *Collective and Individual Services* (Amendments to IPSAS 19), issued in January 2020. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2022. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2022 it shall disclose that fact and apply IPSAS 42, *Social Benefits*, at the same time.

...

Application Guidance

This Appendix is an integral part of IPSAS 19

Introduction

AG1. This Appendix provides guidance on determining whether a provision arises for collective and individual services. These transactions do not meet the definition of social benefits in IPSAS 42, *Social Benefits* (and are therefore outside the scope of that Standard). This Appendix addresses the question of whether a provision needs to be recognized for these transactions before the services are delivered.

Collective and Individual Services

Scope of Collective and Individual Services

- AG2. This Standard defines collective services as services provided by a public sector entity simultaneously to all members of the community and are intended to address the needs of society as a whole. The provision of a collective service to one individual does not reduce the amount available to other individuals; there is no rivalry in the consumption of collective services. Consumption of collective services is usually passive and does not require the explicit agreement or active participation of those benefiting from the service.
- AG3. This Standard defines individual services as goods and services provided to individuals and households by a public sector entity and are intended to address the needs of society as a whole. The provision of an individual service to one individual may reduce the amount available to other individuals, or may delay the receipt of those services by some individuals. Consumption of individual services requires the explicit agreement or active participation of those benefiting from the service. Goods or services provided by a public sector entity on commercial terms do not address the needs of society as a whole, and therefore do not satisfy the definition of individual services.
- AG4. Social benefits and collective and individual services all address the needs of society as a whole. Addressing the needs of society as a whole does not require that each collective or individual service covers all members of society; such services can cover different segments of society. A collective or individual service that covers a segment of society as part of a wider system of similar services meets the requirement that it addresses the needs of society as a whole.
- AG5. Collective services and individual services involve the provision of services by, or on behalf of, a public sector entity. Consequently, cash transfers are not collective or individual services.
- AG6. Public sector entities provide collective and individual services through their employees or by purchasing goods and services from third party providers.
- AG7. Examples of collective services include defense and street lighting. Examples of individual services include healthcare and education provided at no or nominal cost. Individual services may or may not have eligibility criteria, such as reaching a certain age or a residential requirement; however, the existence (or otherwise) of eligibility criteria does not change the determination of whether transactions satisfy the definition of individual services.

- AG8. Collective services are provided to a community rather than to individuals, which distinguishes them from individual services and social benefits. Individual services involve the delivery of services to individuals and/or households, which distinguishes them from social benefits that involve cash transfers (including cash equivalents such as pre-paid debit cards).
- AG9. In some jurisdictions, individuals may pay for services, for example healthcare, and subsequently be reimbursed by a public sector entity. The substance of these reimbursements is that the public sector entity is paying for the services, and the transaction is an individual service rather than a social benefit.
- AG10. The following table compares the key characteristics of social benefits (as defined in IPSAS 42), individual services and collective services.

	Social Benefits	Individual Services	Collective Services
Involves a cash transfer to eligible beneficiaries?	✓	✗	✗
Provided to individuals and/or households rather than to a community?	✓	✓	✗
Intended to address the needs of society as a whole?	✓	✓	✓

No Provision Recognized for Collective Services before the Services are Delivered

- AG11. An intention to deliver collective services, budget approval to deliver those services, or the existence of legislation in respect of those services are not, in themselves, sufficient to give rise to a present obligation.
- AG12. Collective services are ongoing activities of the public sector entity that delivers the services. Paragraph 26 of this Standard states that “no provision is recognized for costs that need to be incurred to continue an entity’s ongoing activities in the future.” Consequently, in accordance with the principles of this Standard, no provision is recognized for the intention to deliver such services.
- AG13. In delivering collective services, a public sector entity acquires resources and incurs expenses, usually through contracts and other binding arrangements. Examples include the electricity used in delivering street lighting, the salaries paid to acquire the services of defense staff, the acquisition of non-current assets used in delivering those services, and the purchase of collective services from a third-party provider. These contracts or other binding arrangements are accounted for in accordance with other IPSAS. In some circumstances, these arrangements may give rise to provisions, for example where a contract or other binding arrangement becomes onerous. However, any such provisions relate to the binding arrangement and not to the intention to deliver collective services to the public.

No Provision Recognized for Individual Services before the Services are Delivered

- AG14. An intention to deliver individual services, budget approval to deliver those services, or the existence of legislation in respect of those services are not, in themselves, sufficient to give rise to

a present obligation. There are no past events that give rise to a liability for collective or individual services. As noted in paragraph AG7, individual services may or may not have eligibility criteria, such as reaching a certain age or a residential requirement. However, the existence (or otherwise) of eligibility criteria does not change the determination of whether transactions satisfy the definition of individual services.

- AG15. The delivery of individual services is an ongoing activity of the public sector entity that provides the services. The delivery of individual services results in the public sector entity acquiring resources and incurring expenses, usually through contracts or other binding arrangements.
- AG16. The public sector entity uses these resources to deliver services to specific individuals and/or households. Where individuals and/or households access individual services, the entity may have a number of future obligations relating to the delivery of these individual services. Such obligations are an aspect of the ongoing activities of the public sector entity. Similar to collective services, and in accordance with the principles of this Standard, no provision is recognized for the intention to deliver such services prior to individuals and/or households accessing the services.
- AG17. Examples of the resources acquired and expenses incurred in delivering individual services include the pharmaceuticals or medical supplies used in delivering healthcare, the salaries paid to acquire the services of teachers, the acquisition of non-current assets used in delivering those services (for example, a hospital or an ambulance), and the purchase of individual services from a third-party provider. These contracts and other binding arrangements are accounted for in accordance with other IPSAS. In some circumstances, these arrangements may give rise to provisions, for example where a contract or other binding arrangement becomes onerous. However, any such provisions relate to the binding arrangement and not to the intention to deliver individual services to the public.

Presentation and Disclosure of Collective and Individual Services

- AG18. An entity shall present and disclose information about collective services and individual services in accordance with other IPSAS, including IPSAS 1, *Presentation of Financial Statements*, IPSAS 2, *Cash Flow Statements* and IPSAS 18, *Segment Reporting*.
- AG19. IPSAS 1 requires an entity to “present, either on the face of the statement of financial performance or in the notes, an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is faithfully representative and more relevant.”
- AG20. Where an entity presents information based on the nature of expenses, collective services and individual services will be included in items such as employee benefit costs. Where an entity presents information based on the function of the expenses within the entity, collective services and individual services may be presented as individual line items or amalgamated with similar items depending upon their materiality.

...

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 19.

...

Revision of IPSAS 19 as a result of *Collective and Individual Services* (Amendments to IPSAS 19) issued in January 2020.

Collective and Individual Services

- BC6. When IPSAS 19 was first issued, “provisions and contingent liabilities arising from social benefits provided by an entity for which it does not receive consideration that is approximately equal to the value of goods and services provided, directly in return from the recipients of those benefits” were excluded from the scope of the Standard. IPSAS 19 described social benefits in wide terms as “goods, services, and other benefits provided in the pursuit of the social policy objectives of a government. These benefits may include:
- (a) The delivery of health, education, housing, transport, and other social services to the community. In many cases, there is no requirement for the beneficiaries of these services to pay an amount equivalent to the value of these services; and
 - (b) Payment of benefits to families, the aged, the disabled, the unemployed, veterans, and others. That is, governments at all levels may provide financial assistance to individuals and groups in the community to access services to meet their particular needs, or to supplement their income.”
- BC7. IPSAS 42, *Social Benefits*, was issued in January 2019. IPSAS 42 amended IPSAS 19, which now excludes from its scope social benefits within the scope of IPSAS 42 (i.e., cash transfers (including cash equivalents) provided to mitigate the effect of social risks, rather than the wider range of transactions previously referred to as social benefits). A consequence of this amendment was to bring within the scope of IPSAS 19 any provisions and contingent liabilities arising from transactions that were previously excluded from the scope of IPSAS 19, but which are not within the scope of IPSAS 42. The IPSASB therefore agreed to provide guidance on accounting for these transactions. As was previously noted in IPSAS 19, a key issue for stakeholders was whether a provision arose in respect of those transactions.
- BC8. Such transactions were referred to in the IPSASB’s Consultation Paper (CP), *Accounting for Revenue and Non-Exchange Expenses* (issued in August 2017), as “collective services” and “universally accessible services.” (As explained in paragraph BC10, the IPSASB later decided to replace the term “universally accessible services” with the term “individual services.”) In that CP, the IPSASB expressed a preliminary view that “non-exchange transactions related to universally accessible services and collective services impose no performance obligations on the resource recipient.” As a result, a performance obligation approach to recognizing a non-exchange expense for these transactions would not be appropriate. Respondents to the CP generally supported that preliminary view.
- BC9. In the CP, the IPSASB noted that “a public sector entity may have a number of future obligations relating to the provision of universally accessible services and collective services. Such obligations are an aspect of the ongoing activities of governments and other public sector entities; however, only present obligations give rise to liabilities. The expected future sacrifice of resources

does not of itself mean that there is a present obligation. Therefore, the IPSASB is of the view that universally accessible services and collective services do not give rise to obligating events and therefore liabilities or expenses do not arise prior to the delivery of those services to beneficiaries.”

- BC10. Respondents to the CP also generally supported this view, and the IPSASB agreed to provide Application Guidance on accounting for these transactions in line with the approach set out in the CP. The IPSASB also noted that some respondents considered that the term “universally accessible services” was confusing. The IPSASB agreed to avoid this term, and instead agreed to adopt the term “individual services”, which is consistent with the term used in Government Finance Statistics (GFS) and with the term used in the IPSASB’s earlier work on social benefits.
- BC11. The IPSASB agreed that, because liabilities or expenses for the delivery of collective and individual services do not arise prior to the delivery of those services to beneficiaries, it is appropriate to account for the delivery of these services in accordance with other IPSAS. For example, IPSAS 39, *Employee Benefits*, covers the expenses incurred in employing staff to deliver these services, IPSAS 12, *Inventories*, covers the expenses incurred in delivering goods to individuals and households, and IPSAS 41, *Financial Instruments*, covers the financial liability that may be incurred in acquiring goods or services.
- BC12. In agreeing that liabilities or expenses for the delivery of collective and individual services do not arise prior to the delivery of those services to beneficiaries, the IPSASB noted that although the nature of collective and individual services are different, the rationale for why a provision does not arise earlier for both these expense categories was similar. The IPSASB agreed that the guidance should reflect this.
- BC13. The IPSASB noted that collective services are ongoing activities of government. Paragraph 26 of IPSAS 19 states that “no provision is recognized for costs that need to be incurred to continue an entity’s ongoing activities in the future”. Consequently, the IPSASB agreed that recognizing a provision for collective services would be contrary to the requirements of paragraph 26 of IPSAS 19.
- BC14. The IPSASB noted that individual services are ongoing activities of government, in the same way as collective services, and that recognizing a provision for such services would also be contrary to the requirements of paragraph 26 of IPSAS 19.
- BC15. The IPSASB considered whether specific disclosures for collective and individual services were required, and concluded that the existing requirements in IPSAS 1, *Presentation of Financial Statements*, IPSAS 2, *Cash Flow Statements*, and IPSAS 18, *Segment Reporting*, and the various IPSAS dealing with the specific transactions would provide sufficient information to meet users’ needs. Consequently, the IPSASB agreed not to require any specific disclosures for collective and individual services.

Responses to ED 67, *Collective and Individual Services and Emergency Relief* (Amendments to IPSAS 19)

- BC16. The IPSASB issued its proposals in ED 67, *Collective and Individual Services and Emergency Relief* (Amendments to IPSAS 19) in January 2019.
- BC17. Respondents generally supported the proposals in respect of collective and individual services, but raised a number of issues for the IPSASB to consider in finalizing the amendments.

BC18. A number of these issues related to the definitions of collective services and individual services. The IPSASB decided not to make any changes to the definitions, for the following reasons:

- (a) Some respondents questioned whether two definitions were required when the accounting treatment was the same. The IPSASB considered that the fact that the nature of collective services is different from the nature of individual services meant that retaining separate definitions was appropriate. The IPSASB also noted that this would be consistent with the approach in GFS.
- (b) Respondents commented that collective and individual services are non-cash transactions and that this should be reflected in the definitions. The IPSASB decided to make specific reference to the non-cash nature of collective and individual services in the Application Guidance.
- (c) Some respondents questioned why the definition of collective services did not refer to goods, unlike the definition of individual services. The IPSASB noted that the assets (such as lamp posts) that are used to deliver collective services are referred to in GFS as collective goods. However, such assets remain under the entity's control and are not transferred to service recipients. Consequently, the IPSASB agreed not to include goods in the definition of collective services.
- (d) A respondent proposed amending the definitions of collective services and individual services to refer to services that are continually provided. The IPSASB considered that this was already implicitly addressed in the description of collective services and individual services as ongoing activities of public sector entities, and agreed that no change to the definitions was needed. The IPSASB noted that a consequence of the fact that collective and individual services are continually provided is that no provision is recognized because the past event that gives rise to a present obligation occurs simultaneously with the provision of services that satisfies that obligation.

BC19. Further issues related to the accounting for collective and individual services. There was strong support for the proposals that a provision should not be recognized for these transactions, but some respondents considered that the rationale needed to be strengthened. In considering these comments, the IPSASB came to the following conclusions:

- (a) Some respondents commented that as well as being ongoing activities of a public sector entity, collective and individual services were not independent of an entity's future actions, as described in paragraph 27 of IPSAS 19. These respondents considered that this should be discussed in the final pronouncement. The IPSASB accepted that this would be true in some cases, but noted that in many jurisdictions, there is a legal requirement for a government or other public sector entity to provide collective services. While there may be elements of discretion in how the services are delivered, the obligation to provide services remains. Consequently, the IPSASB agreed not to include this issue
- (b) Respondents noted that in IPSAS 42, the IPSASB had acknowledged that some stakeholders considered that an entity having to recognize large liabilities for services to be delivered in the future without the recognition of future taxes to pay for those services is unlikely to meet the objectives of financial reporting and satisfy the qualitative characteristics. Respondents considered that this rationale applied equally to collective and individual services. The IPSASB concurred.

- (c) Some respondents commented that while no provision arises from an entity's intentions to deliver collective and individual services to the public, a provision might arise from the binding arrangements through which those services are provided. The IPSASB concurred and agreed to include additional guidance to this effect.
- (d) Some respondents raised concerns regarding the proposed treatment of vouchers in ED 67, and questioned whether they should be treated in same way as loyalty programs such as airlines' frequent flier programs. The IPSASB accepted these concerns, and noted that the appropriate treatment (in terms of the past event and therefore the recognition point) will vary depending on the conditions attached to the vouchers. The IPSASB agreed it was inappropriate to develop guidance for all these circumstances.

Emergency Relief

BC20. The IPSASB included proposals for accounting for emergency relief in ED 67. While many respondents were supportive of providing such guidance, several issues were raised. Respondents considered that a definition of emergency relief would be required, notwithstanding the fact that the diverse practices across jurisdictions makes this difficult. Respondents also questioned whether the proposed distinction between emergency relief that is an ongoing activity of government and emergency relief provided in response to specific emergencies was always appropriate, and whether it could be applied consistently. Respondents further questioned how other assistance that did not fall within the scope of emergency relief should be accounted for.

BC21. In light of these concerns, the IPSASB decided not to proceed with the guidance on emergency relief proposed in ED 67. The IPSASB decided to consider the topic in developing its Mid-Term Work Program Consultation 2021.

...

Comparison with IAS 37

IPSAS 19 is drawn primarily from IAS 37 (1998). The main differences between IPSAS 19 and IAS 37 are as follows:

...

- IPSAS 19 contains the definitions of technical terms used in IAS 37, and an additional definition for "executory contracts."
- IPSAS 19 provides additional guidance on collective and individual services. It explains that public sector entities do not recognize a provision for collective and individual services.
- The Implementation Guidance has been amended to be more reflective of the public sector.

...

Amendments to IPSAS 42, *Social Benefits*

Paragraphs 4A and 35A are added. New text is underlined

...

Scope

...

4A. Collective services and individual services (as defined in IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*) are not social benefits. Guidance on determining whether a provision arises for these transactions is provided in IPSAS 19.

...

Effective Date

...

35A. Paragraph 4A was added by *Collective and Individual Services (Amendments to IPSAS 19)*. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2022. Earlier application is encouraged.

International Public Sector Accounting Standards, Exposure Drafts, Consultation Papers, Recommended Practice Guidelines, and other IPSASB publications are published by, and copyright of, IFAC.

The IPSASB and IFAC do not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.

The 'International Public Sector Accounting Standards Board', 'International Public Sector Accounting Standards', 'Recommended Practice Guidelines', 'International Federation of Accountants', 'IPSASB', 'IPSAS', 'RPG', 'IFAC', the IPSASB logo, and IFAC logo are trademarks of IFAC, or registered trademarks and service marks of IFAC in the US and other countries.

Copyright © January 2020 by the International Federation of Accountants (IFAC). All rights reserved. Written permission from IFAC is required to reproduce, store or transmit, or to make other similar uses of, this document. Contact permissions@ifac.org.

Published by:



IPSASB

**International Public
Sector Accounting
Standards Board®**

529 Fifth Avenue, New York, NY 10017
T + 1 (212) 286-9344 F +1 (212) 286-9570
www.ipsasb.org