

Summary—*Collective and Individual Services* (Amendments to IPSAS 19)

This summary provides an overview of *Collective and Individual Services* (Amendments to IPSAS 19).

Project objective:

Collective and Individual Services (Amendments to IPSAS 19) addresses transactions for collective and individual services. Transfers such as grants and contributions will be addressed in a subsequent ED.

Approved

The International Public Sector Accounting Standards Board® (IPSASB®) approved *Collective and Individual Services* (Amendments to IPSAS 19) in September 2019. It was issued in January 2020

Project History

The IPSASB initiated a project on social benefits in 2002, and issued the Invitation to Comment (ITC), *Accounting for Social Policies of Governments* in 2004. This ITC covered collective and individual services as well as social benefits.

The IPSASB subsequently agreed to narrow the scope of its work on social benefits. Collective and individual services were next addressed as part of the IPSASB's Consultation Paper (CP), *Accounting for Revenue and Non-Exchange Expenses*, issued in August 2017.

The IPSASB issued Exposure Draft (ED) 67, *Collective and Individual Services and Emergency Relief* (Amendments to IPSAS 19) in January 2019.

Collective and Individual Services (Amendments to IPSAS 19) is based on ED 67, but responds to comments received to that consultation, principally by excluding requirements in respect of emergency relief.

Why the IPSASB Undertook this Project

The purpose of the IPSASB's project on non-exchange expenses is to develop new or amended standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits.

Collective and Individual Services (Amendments to IPSAS 19) includes requirements for collective and individual services, a significant subset of those transactions.

Collective and Individual Services (Amendments to IPSAS 19) forms part of the IPSASB's broader non-exchange expenses project.

While a number of IPSAS provide guidance on the recognition of specific exchange expenses and liabilities, there is very little guidance on the recognition of expenses and liabilities arising from non-exchange transactions; and no equivalent to IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*, which deals with non-exchange revenue. As a consequence, there is ambiguity and inconsistency in developing accounting policies in a highly significant area of expenditure, including the provision of major services to the community and transfers between different levels of government.

The objective of the non-exchange expenses project is to develop new or amended standards, in order to provide accounting requirements that result in consistent accounting for non-exchange expense transactions.

The first step in the development of accounting requirements for non-exchange expenses was the publication of the CP, *Accounting for Revenue and Non-Exchange Expenses*, issued in August 2017.

In the CP, the IPSASB explained the drivers behind the development of the revenue and non-exchange expenses projects. For the non-exchange expenses project, these included:

- The operationalization of the exchange versus non-exchange distinction; and consideration of whether to replace this with a focus on whether transactions include a performance obligation.
- The gap in the current IPSASB literature on accounting for non-exchange expenses which may lead to ambiguity and inconsistency of accounting policies in a highly significant area of expenditure.
- The scope for ensuring consistency of approaches between resource providers (for non-exchange expense transactions) and resource recipients (for revenue transactions).

The CP also noted that the IPSASB's definition of social benefits excludes areas such as the universal provision of healthcare and education, therefore making the development of requirements and guidance for these areas and others not within the scope of IPSAS 42, *Social Benefits*, more pressing. For this reason, the IPSASB has now issued specific guidance on these issues in *Collective and Individual Services (Amendments to IPSAS 19)*.

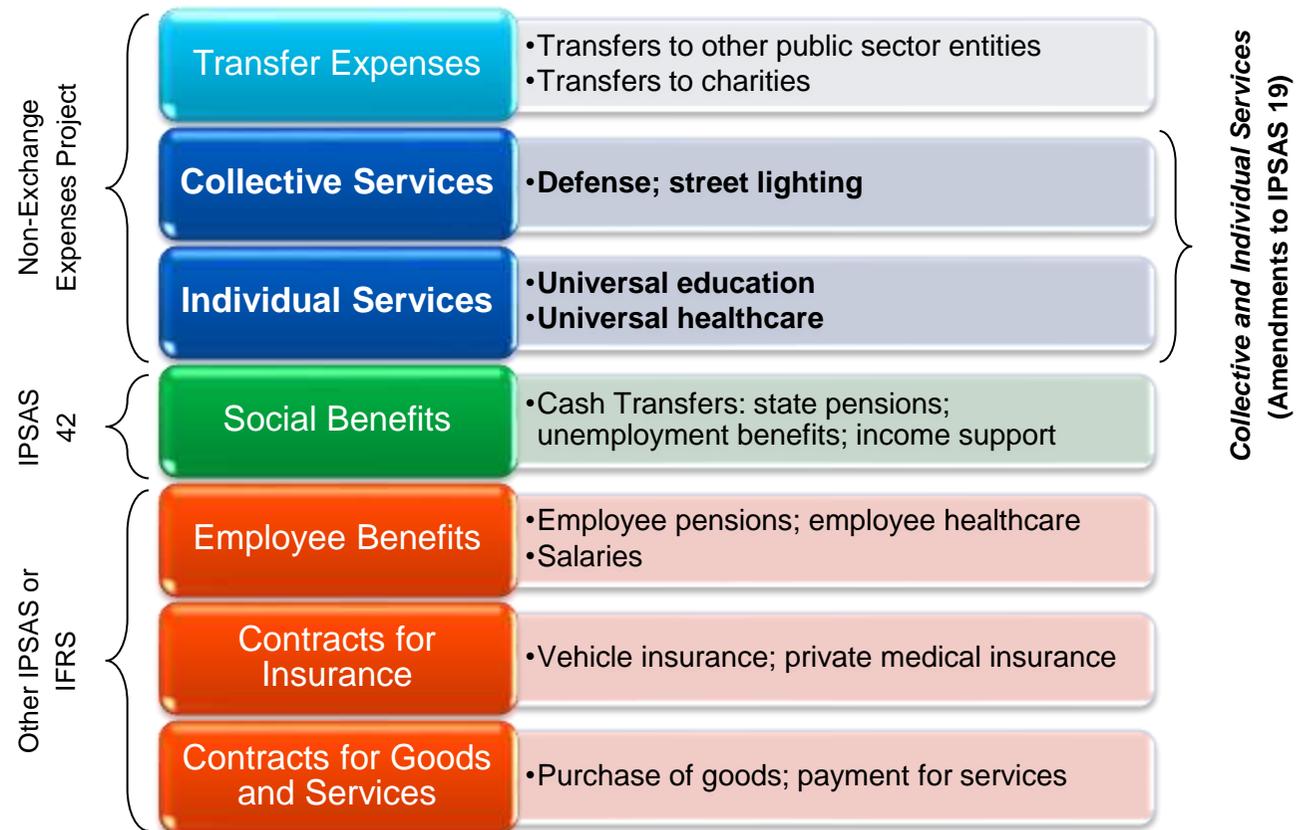
Scope of *Collective and Individual Services* (Amendments to IPSAS 19)

Figure 1 illustrates the scope of *Collective and Individual Services* (Amendments to IPSAS 19) and the boundaries between collective and individual services and other transactions.

Collective and Individual Services (Amendments to IPSAS 19) complements IPSAS 42, *Social Benefits*.

Transfers such as grants and contributions will be addressed in ED 72, *Transfer Expenses*, which the IPSASB approved in December 2019.

Figure 1: Scope of *Collective and Individual Services* (Amendments to IPSAS 19)



Definitions

Collective and Individual Services (Amendments to IPSAS 19) provides definitions for collective and individual services.

Figure 2 illustrates the relationship between collective services, individual services and social benefits. All these transactions address the needs of society as a whole.

Definitions of Collective Services and Individual Services

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.

Figure 2:
Relationship between collective services, individual services and social benefits

| | 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? | ✓ | ✓ | ✓ |

Accounting for Collective Services and Individual Services

Under *Collective and Individual Services* (Amendments to IPSAS 19), no provision is recognized for a government's intention to provide collective services or individual services.

Information about collective services and individual services is presented and disclosed in accordance with other IPSAS.

Accounting for Collective Services

Under *Collective and Individual Services* (Amendments to IPSAS 19), collective services are considered to be ongoing activities of the public sector entity that delivers the services.

In accordance with IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, "no provision is recognized for costs that need to be incurred to continue an entity's ongoing activities in the future".

Consequently, under *Collective and Individual Services* (Amendments to IPSAS 19), no provision is recognized for the intention to deliver collective services.

In delivering collective services, a public sector entity acquires resources and incurs expenses through contractual and other binding arrangements.

Examples include the salaries paid to defense staff, the electricity used in delivering street lighting, the acquisition of non-current assets used in delivering those services, and the purchase of collective services from a third-party provider.

Under *Collective and Individual Services* (Amendments to IPSAS 19), these contractual and other binding arrangements would be accounted for in accordance with other IPSAS.

Accounting for Individual Services

Collective and Individual Services (Amendments to IPSAS 19) similarly considers that 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 through contractual and other binding arrangements. Under *Collective and Individual Services* (Amendments to IPSAS 19), these contractual and other binding arrangements would be accounted for in accordance with other IPSAS.

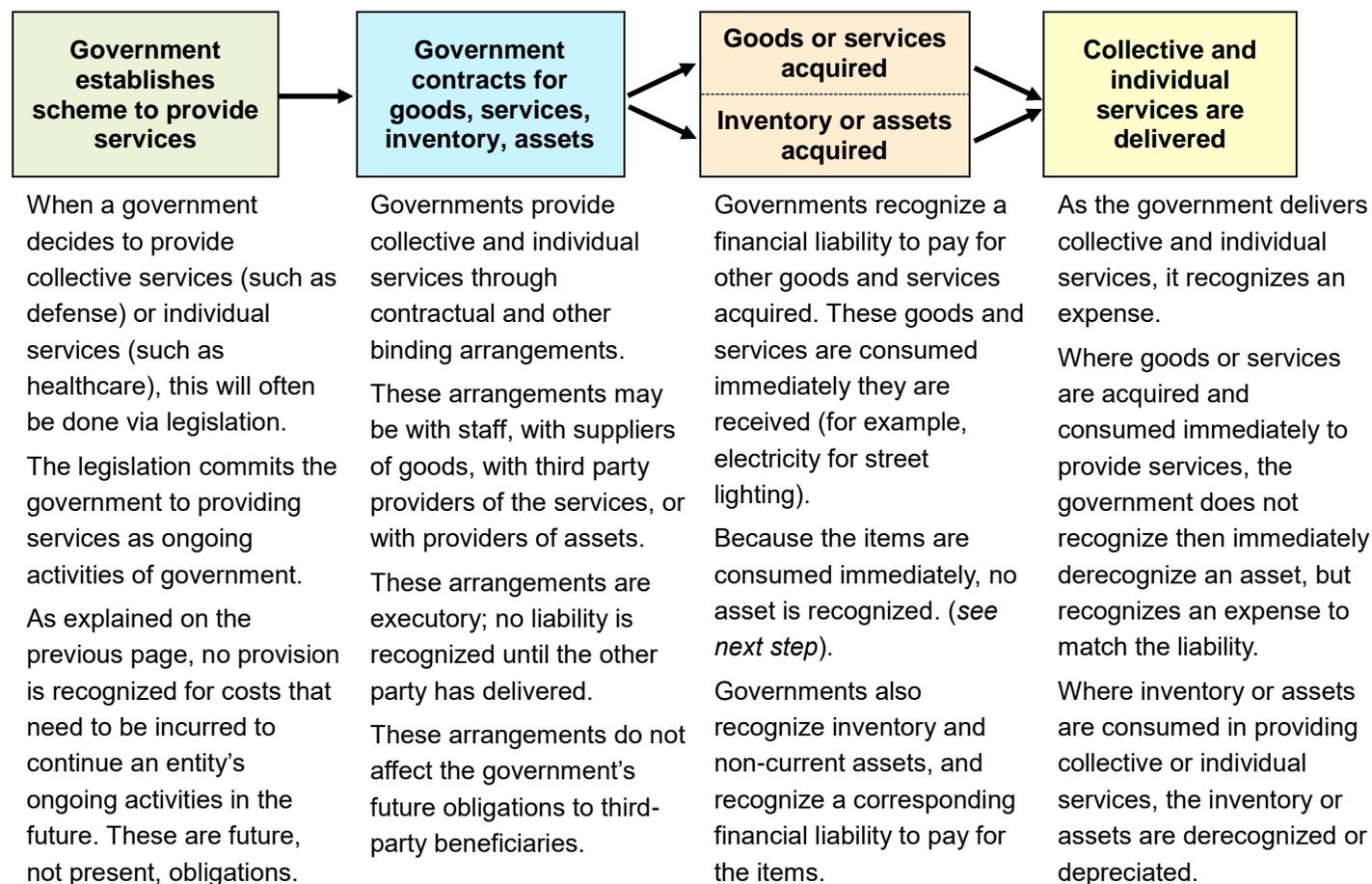
The public sector entity uses the resources acquired to deliver individual services. Where individuals access these services, the entity may have a number of future obligations relating to the delivery of these individual services. However, these obligations are not present obligations and do not give rise to a liability.

As with collective services, no provision is recognized for the intention to deliver individual services prior to individuals and/or households accessing the services.

Interaction of Provisions and Contractual and Other Binding Arrangements in Accounting for Collective and Individual Services

Figure 3 illustrates the interaction of provisions and contractual and other binding arrangements in accounting for collective and individual services, and explains why *Collective and Individual Services (Amendments to IPSAS 19)* states that no provision is recognized for collective services or individual services.

Figure 3: Interaction of Provisions and Contractual and Other Binding Arrangements



Effective Date, Project History and Exclusion of Emergency Relief

The effective date of *Collective and Individual Services* (Amendments to IPSAS 19) is January 1, 2022.

Early application is permitted, provided IPSAS 42, *Social Benefits*, is applied at the same time.



Effective Date

The effective date of *Collective and Individual Services* (Amendments to IPSAS 19) is January 1, 2022, with earlier adoption encouraged, provided IPSAS 42, *Social Benefits* is applied at the same time.

The IPSASB selected this effective date so that these amendments have the same effective date as IPSAS 42.

Governments and other public sector entities that provide social benefits, individual services and collective services will, therefore, be able to introduce new accounting policies for these transactions at the same time. This responds to concerns raised by stakeholders.

Project History

To learn more about the project history, and to view the consultation documents and responses, please visit: <http://www.ipsasb.org/projects/non-exchange-expenses>.

Exclusion of Emergency Relief

ED 67, *Collective and Individual Services and Emergency Relief* (Amendments to IPSAS 19), included proposals for accounting for emergency relief. 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 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.

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.