

Exposure Draft 67
January 2019
Comments due: May 31, 2019

IPSAS®

*Proposed International Public Sector Accounting
Standard®*

Collective and Individual
Services and Emergency
Relief (Amendments to
IPSAS 19)

IPSASB

International Public
Sector Accounting
Standards Board®

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REQUEST FOR COMMENTS

This Exposure Draft, *Collective and Individual Services and Emergency Relief* (Amendments to IPSAS 19), was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by May 31, 2019.**

Respondents are asked to submit their comments electronically through the IPSASB website, using the "[Submit a Comment](#)" link. Please submit comments in both a PDF and Word file. Also, please note that first-time users of the website must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. This publication may be downloaded from the IPSASB website: www.ipsasb.org. The approved text is published in the English language.

This Exposure Draft forms part of the IPSASB's project on Non-Exchange Expenses.

Objective of the Exposure Draft

The objective of this Exposure Draft is to propose improvements to the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about collective services, individual services and emergency relief.

Guide for Respondents

The IPSASB would welcome comments on all of the matters discussed in this Exposure Draft. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

The Specific Matters for Comment requested for the Exposure Draft are provided below.

Specific Matter for Comment 1:

Do you agree with the definitions of collective services and individual services that are included in this Exposure Draft?

If not, what changes would you make to the definitions?

Specific Matter for Comment 2:

Do you agree that no provision should be recognized for collective services?

If not, under what circumstances do you think a provision would arise?

Specific Matter for Comment 3:

Do you agree that no provision should be recognized for individual services?

If not, under what circumstances do you think a provision would arise?

Specific Matter for Comment 4:

Do you agree with the proposed accounting for emergency relief?

If not, how do you think emergency relief should be accounted for?

COLLECTIVE AND INDIVIDUAL SERVICES AND EMERGENCY RELIEF (AMENDMENTS TO IPSAS 19)

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Objective

1. The objective of this Exposure Draft (ED) is to propose amendments to IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, to provide guidance on accounting for collective and individual services and emergency relief. 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 and emergency relief. Subsequently, the IPSASB decided to provide guidance for these transactions through the amendments proposed in this ED.
2. This ED forms part of the IPSASB's project to provide guidance on accounting for non-exchange expenses.

Request for Comments

3. The IPSASB would welcome comments on all the matters proposed in the ED. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

IPSAS Addressed

<i>IPSAS</i>	<i>Summary of Proposed Change</i>
IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	Provide guidance on accounting for collective and individual services and emergency relief.
IPSAS 42, <i>Social Benefits</i>	Consequential amendment to provide a cross reference to the additional guidance included 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.

...

Scope

6A. This Standard provides guidance on accounting for non-exchange transactions arising from:

- (a) Collective and individual services (paragraphs AG2–AG16); and
- (b) Emergency relief (paragraphs AG17–AG25).

...

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–AG25 were added and paragraph 18 was amended by [draft] IPSAS [X] (ED 67), *Collective and Individual Services and Emergency Relief (Amendments to IPSAS 19)*, issued in [Month YYYY]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after [MM DD, YYYY]. Earlier application is encouraged. If an entity applies the amendments for a period beginning before [MM DD, YYYY] it shall disclose that fact and apply IPSAS 42, *Social Benefits*, at the same time.

...

The Application Guidance in Appendix A (paragraphs AG1–AG25) and the section of the Basis for Conclusions discussing *Collective and Individual Services and Emergency Relief* (Amendments to IPSAS 19) (paragraphs BC6–BC24) are added. Because these are new sections, no mark-up has been used.

Application Guidance

This Appendix is an integral part of IPSAS 19

Introduction

AG1. This Appendix provides guidance on accounting for collective and individual services, and emergency relief. These transactions are non-exchange transactions that 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 that 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 that 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.

AG4. Public sector entities provide collective and individual services through the labor of their employees or by purchasing goods and services from third party providers.

AG5. Examples of collective services include street lighting and defense. Examples of individual services include public sector healthcare services and education services.

AG6. The following table illustrates the distinction between social benefits, 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?	✓	✓	✓

- AG7. Social benefits, individual services and collective services all address the needs of society as a whole. 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). Conversely, emergency services (as outlined in paragraphs AG17–AG25) address the needs of specific individuals or households, when emergency events arise.
- AG8. 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.
- AG9. In some jurisdictions, a public sector entity may provide vouchers to individuals and households that can be subsequently exchanged for specific goods or services. The provider of the goods or services will be reimbursed by the public sector entity. The substance of these transactions is that the public sector entity is paying for the goods or services, and the transaction is an individual service rather than a social benefit.

No Provision Recognized for Collective Services before the Services are Delivered

- AG10. 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, any obligations that may arise for collective services are not independent of the entity’s future actions, and in accordance with the principles of this Standard, no provision is recognized for the intention to deliver such services.
- AG11. In delivering collective services, a public sector entity incurs expenses and acquires resources through exchange transactions. 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 exchange transactions are accounted for in accordance with other IPSAS.

No Provision Recognized for Individual Services before the Services are Delivered

- AG12. Similarly, the delivery of individual services represents ongoing activities of the public sector entity that provides the services. The delivery of individual services results in the public sector entity incurring expenses and acquiring resources through exchange transactions.

AG13. The public sector entity uses these resources to deliver services to specific individuals and/or households in non-exchange transactions. 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, any obligations that may arise for individual services are not independent of the entity's future actions, 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.

Presentation and Disclosure of Collective Services and Individual Services

AG14. 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*, and IPSAS 2, *Cash Flow Statements*.

AG15. 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."

AG16. Where information is presented based on the nature of expenses, collective services and individual services will be included in items such as employee benefit costs. Where information is presented based on their function within the entity, collective services and individual services may be presented as individual line items, or amalgamated with similar items depending upon their materiality.

Emergency Relief

Scope of Emergency Relief

AG17. Governments and other public sector entities (which includes international organizations) may deliver emergency relief to individuals and/or households who have been adversely affected by circumstances that are not related to social risks (as defined in IPSAS 42), for example:

- (a) Natural disasters such as flooding, earthquakes, food shortages and volcanic eruptions; and
- (b) The displacement of individuals and/or households as a result of war, civil commotion or economic failure.

AG18. Goods and services delivered through emergency relief do not address the needs of society as a whole. This distinguishes emergency relief from collective services and individual services. Emergency relief may be provided in response to specific emergencies. Alternatively, emergency relief may be delivered as an ongoing activity of government (or other public sector entity). An example would be where a government has established an agency with a remit to deliver ongoing emergency relief activities, and where the agency staff is engaged either in delivering emergency relief or in undertaking planning and preparation activities.

AG19. Governments and other public sector entities deliver emergency relief to individuals and/or households through the following types of transactions:

- (a) The provision of services;
- (b) The provision of goods;

- (c) The replacement of assets; and
- (d) Cash transfers.

Accounting for Emergency Relief in Response to Specific Emergencies

AG20. The delivery of emergency relief in response to specific emergencies requires an explicit policy decision to be made by a government or other public sector entity. This decision could give rise to a present obligation, requiring the recognition of a provision when the criteria in paragraphs 22–34 of this Standard are satisfied. For example, in these circumstances a present obligation could arise as a result of government announcements, the passing of legislation and other government actions.

AG21. Where an event does not give rise to a present obligation that satisfies the criteria for the recognition of a provision, an entity shall consider whether paragraphs 35–38 of this Standard require the disclosure of a contingent liability. The nature of the obligation may change as a result of later announcements or actions, such as the enactment of legislation. An entity will need to reassess at each reporting date whether the cumulative effect of the decisions and announcements is sufficient to require the recognition of a provision.

Accounting for Emergency Relief Delivered as an Ongoing Activity

AG22. An entity considers the specific circumstances in which emergency relief is being delivered. Where such delivery of emergency relief is an ongoing activity of government (or other public sector entity) and is analogous to the delivery of collective services and/or individual services as set out in paragraphs AG2-AG16, no provision is recognized before the relief is delivered. In other circumstances, an entity considers the requirements of this Standard in determining whether to recognize a provision or disclose a contingent liability.

Presentation and Disclosure of Emergency Relief

AG23. An entity shall present and disclose information about emergency relief in accordance with other IPSAS, including IPSAS 1 and IPSAS 2.

AG24. 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.”

AG25. Where information is presented based on the nature of expenses, emergency relief will be included in items such as employee benefit costs or inventory expenses (for example, donated goods). Where information is presented based on its function within the entity, emergency relief may be presented as an individual line item, or amalgamated with similar items depending upon materiality.

...

Basis for Conclusions

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

...

Revision of IPSAS 19 as a result of [draft] [ED 67] *Collective and Individual Services and Emergency Relief* (Amendments to IPSAS 19) issued in [Month and Year]

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 BC14, 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 agreed that, because liabilities or expenses for the delivery of universally accessible services and collective 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.
- BC11. In agreeing that liabilities or expenses for the delivery of these services do not arise prior to the delivery of the services to beneficiaries, the IPSASB noted that the reasons a provision did not arise for collective services and universally accessible services were not identical. The IPSASB agreed that the guidance should reflect this.
- BC12. 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”. It follows that any obligations that may arise for collective services are not independent of the entity’s future actions. Consequently, the IPSASB agreed that recognizing a provision for collective services would be contrary to the requirements of paragraph 26 of IPSAS 19.
- BC13. The IPSASB therefore agreed that no provision should be recognized for universally accessible services. The IPSASB also noted that universally accessible services are ongoing activities of government, in the same way as collective services, and that recognizing a provision for such services would be contrary to the requirements of paragraph 26 of IPSAS 19.
- BC14. In agreeing to provide guidance in line with the approach set out in the CP, the IPSASB noted that some respondents considered that the term “universally accessible services” was confusing. The IPSASB agreed to avoid this term, and instead adopted 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.
- 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 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.

Emergency Relief

- BC16. Emergency relief may have been included in that wide range of social benefits excluded from the scope of IPSAS 19. In developing IPSAS 42 and the CP, the IPSASB identified disaster relief as a type of non-exchange transaction that is outside the scope of IPSAS 42. (As explained in paragraph BC17, the IPSASB later decided to replace the term “disaster relief” with the term “emergency relief.”) This is because disaster relief does not address social risks, as explained in IPSAS 42, and addresses the needs of specific individuals and households rather than the needs of society as a whole. Following the amendments to IPSAS 19 made by IPSAS 42 (described in

- paragraph BC7 above), the IPSASB agreed to provide guidance on accounting for these transactions.
- BC17. In developing *Collective and Individual Services and Emergency Relief* (Amendments to IPSAS 19), the IPSASB noted that some governments and other public sector entities provide relief in circumstances other than natural disasters. For example, some governments provide food and shelter to those displaced as a result of civil commotion. The IPSASB considered that the accounting for such relief would be the same as for relief provided following natural disasters. The IPSASB therefore agreed to extend the scope of this guidance to include all emergency relief that does not satisfy the definition of a social benefit in IPSAS 42.
- BC18. The IPSASB noted that, in general, emergency relief is not an ongoing activity of government (or other public sector entity) and that paragraph 26 of IPSAS 19 does not apply. However, depending on the circumstances, a provision may need to be recognized or a contingent liability disclosed.
- BC19. The IPSASB noted that the delivery of such emergency relief requires a specific policy decision to be made by a government or other public sector entity. The communication of this decision, which may be when legislation is enacted, may (individually or in combination with other actions) give rise to a present legal or constructive obligation whereby it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.
- BC20. The IPSASB reviewed the requirements of IPSAS 19 regarding the recognition and measurement of provisions, to determine whether these requirements provided sufficient guidance for entities to assess whether a provision should be recognized for emergency relief that is not an ongoing activity of government (or other public sector entity). The IPSASB concluded that the requirements of IPSAS 19, including the additional guidance provided in paragraphs AG17–AG25, were sufficient for entities to assess whether a provision should be recognized for emergency relief that is not an ongoing activity of government (or other public sector entity). The IPSASB therefore agreed not to develop any further requirements.
- BC21. The IPSASB noted, however, that in some jurisdictions, emergency relief is delivered as an ongoing activity of government (or other public sector entity). An example would be where a government has established an agency with a remit to deliver emergency relief, and where the agency staff is engaged either in delivering the emergency relief or in undertaking planning and preparation activities.
- BC22. In such circumstances, the IPSASB concluded that an entity should consider whether the delivery of the emergency relief is analogous to delivering collective services or individual services. Where the entity concludes that the emergency relief is analogous to delivering collective services or individual services, the IPSASB agreed that the entity should account for the use of the resources as it delivers emergency relief. No provision need be recognized for emergency relief delivered as part of the ongoing activities of government (or other public sector entity).
- BC23. Conversely, where the entity concludes that the emergency relief is not analogous to delivering collective services or individual services, a provision may need to be recognized or a contingent liability disclosed.
- BC24. The IPSASB also considered whether specific disclosures for emergency relief were required. The IPSASB noted that in many cases, emergency relief will be material either because of the amounts involved or because of its nature. The IPSASB therefore concluded that the existing requirements

in IPSAS 1, IPSAS 18 and IPSAS 19 would provide sufficient information to meet users' needs. Consequently, the IPSASB agreed not to require any specific disclosures for emergency relief.

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*) and emergency relief are not social benefits. Guidance on accounting for these transactions is provided in IPSAS 19.

...

Effective Date

...

35A. Paragraph 5A was added by [draft] IPSAS [X] (ED 67), *Collective and Individual Services and Emergency Relief (Amendments to IPSAS 19)*. An entity shall apply this amendment at the same time as it applies *Collective and Individual Services and Emergency Relief*.

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