

Meeting: International Public Sector Accounting Standards Board

Meeting Location: Toronto, Canada

Meeting Date: February 23, 2023

Agenda Item 2

For:

Approval

Discussion

Information

REVENUE AND TRANSFER EXPENSES

Project summary	<p>The aim of the Revenue project is to develop one or more standards that provide recognition and measurement requirements for revenue transactions.</p> <p>The aim of the Transfer Expenses project is to develop a standard that provides recognition and measurement requirements applicable to providers of transfer expense transactions, except for social benefits.</p>	
Project staff leads	<ul style="list-style-type: none"> • Eileen Zhou, Principal (Revenue) • Edwin Ng, Principal (Transfer Expenses) 	
Drafting Group	<ul style="list-style-type: none"> • Ian Carruthers, IPSASB Chair (Drafting Group Chair) • Todd Beardsworth, IPSASB Member • Claudia Beier, IPSASB Member • Lynn Pamment, IPSASB Member • Patricia Siqueira Varela, IPSASB Member • Lindy Bodewig, South African National Treasury • Johanna Clark, UNICEF • Nicole Smith, European Commission 	
Meeting objectives	Topic	Agenda Item
	Project management	<p>Revenue and Transfer Expenses: Project Roadmap 2.1.1</p> <p>Instructions up to Previous Meeting 2.1.2</p> <p>Decisions up to Previous Meeting 2.1.3</p>
	Decisions required at this meeting	<p>Project Update and Next Steps (Discussion Only) 2.2.1</p> <p>Updates to [draft] IPSAS [X], Revenue 2.2.2</p> <p>Updates to [draft] IPSAS [X], Transfer Expenses 2.2.3</p>
Other supporting items	[Draft] IPSAS [X], Revenue (link and review information) 2.3.1	
	[Draft] IPSAS [X], Transfer Expenses (link and review information) 2.3.2	

**REVENUE AND TRANSFER EXPENSES:
 PROJECT ROADMAP**

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
Revenue	
March 2015	1. Approve Project Brief
June 2016	1. Discussion of the performance obligation approach with the Consultative Advisory Group 2. Discussion of IPSAS 23 Implementation Issues with Consultative Advisory Group
June 2017	1. Approve Consultation Paper
March 2018 to December 2018	1. Review Responses to the Consultation Paper
March 2019	1. Preliminarily approve the core text and authoritative guidance of the Exposure Draft for revenue with performance obligations 2. Develop Underlying Principles of Core Text and Authoritative Guidance for revenue without performance obligations
June 2019	1. Preliminarily approve updates to the core text and authoritative guidance of the Exposure Draft for revenue with performance obligations
September 2019	1. Review first draft of Exposure Draft for revenue without performance obligations, and discuss issues
December 2019	1. Approve Exposure Drafts
March 2020 to September 2020	1. Documents Out for Comment
December 2020 to March 2021	1. Review Responses 2. Discuss Issues
June 2021 to March 2022	1. Review Responses 2. Discuss Issues 3. Develop IPSAS
June 2022 to December 2022	1. Review Responses 2. Discuss Issues 3. Develop IPSAS
February 2023	1. Develop IPSAS
March 2023	1. Approve IPSAS
Transfer Expenses	
March 2018	1. Review of responses – PSPOA 2. Review of responses – subsequent measurement of non-contractual payables
June 2018	1. Discussion of use of PSPOA for non-exchange expenses
September 2018	1. Discussion of use of PSPOA for non-exchange expenses
March 2019	1. Initial discussion of objective and scope 2. Initial discussion of definitions 3. Discussion of PSPOA

	<ol style="list-style-type: none"> 4. Initial discussion of presentation 5. Initial discussion of effective date and transition requirements 6. Initial review of draft ED
June 2019	<ol style="list-style-type: none"> 1. Discussion of scope and definitions 2. Discussion of subsidies and premiums 3. Discussion of additional material to be included in the ED 4. Discussion of examples to be included in the ED
September 2019	<ol style="list-style-type: none"> 1. Disclosures – discussion of issues 2. Review of initial draft of ED
December 2019	<ol style="list-style-type: none"> 1. Review of draft ED final amendments 2. Review of examples – exception basis only 3. Approval of ED
March 2020 to September 2020	<ol style="list-style-type: none"> 1. Document Out for Comment
December 2020 to April 2021	<ol style="list-style-type: none"> 1. Review Responses 2. Discuss Issues
June 2021 to March 2022	<ol style="list-style-type: none"> 1. Review Responses 2. Discuss Issues 3. Develop IPSAS
June 2022 to December 2022	<ol style="list-style-type: none"> 1. Review Responses 2. Discuss Issues 3. Develop IPSAS
February 2023	<ol style="list-style-type: none"> 1. Develop IPSAS
March 2023	<ol style="list-style-type: none"> 1. Approve IPSAS

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
Revenue		
December 2022	1. Explain the objective and approach for illustrative examples in the basis for conclusions.	1. BC35 in the [draft] IPSAS [X], <i>Revenue</i> (Agenda Item 2.3.1)
December 2022	2. Work with specific IPSASB members to address editorial comments from the detailed review (i.e., page-by-page) of the core text, application guidance, bases for conclusions, and implementation guidance sections, and revise guidance to incorporate the discussions concerning capital transfers.	2. Completed – revisions in track changes and additional Illustrative Example 52 in Agenda Item 2.3.1
September 2022	1. Consult with the other IFAC standard setting boards to learn from their experience on the re-exposure of a near-final pronouncement.	1. Ongoing – will be addressed in March 2023.
July 2022	1. Amend the capital transfer examples for member's comments and incorporate the revised examples into the next version of the draft revenue IPSAS.	1. Incorporated as Illustrative Example 51 in Agenda Item 2.3.1
June 2022	1. Draft application guidance, implementation guidance and illustrative examples on capital transfers. Explicitly note in the drafting that revenue recognition in a capital transfer is considered independently from how the funding is structured in the binding arrangement.	1. Incorporated in Agenda Item 2.3.1
October 2021	1. Consider how to communicate alignment with IFRS in supplemental materials.	1. Educational material after March 2023.
December 2019	1. All instructions provided up until December 2019 were reflected in the Exposure Draft (ED) 70, Revenue with Performance Obligations and Exposure Draft (ED) 71, Revenue without Performance Obligations	1. See Exposure Draft (ED) 70 and Exposure Draft (ED) 71
Transfer Expenses		
December 2022	1. Explain the objective and approach for illustrative examples in the basis for conclusions.	1. BC9(f) in the [draft] IPSAS [X], <i>Transfer Expenses</i> (Agenda Item 2.3.2)
December 2022	2. Work with specific IPSASB members to address editorial comments from the detailed review (i.e., page-by-page) of the core text, application guidance, bases for conclusions, and implementation guidance sections, and revise guidance to incorporate the discussions concerning capital transfers.	2. Completed – revisions in track changes in Agenda Item 2.3.2
September 2022	1. Consult with the other IFAC standard setting boards to learn from their experience on the re-exposure of a near-final pronouncement.	1. Ongoing – will be addressed in March 2023.
December 2019	1. All instructions provided up until December 2019 were reflected in the Exposure Draft (ED) 72, Transfer Expenses	1. See Exposure Draft (ED) 72

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
Revenue		
December 2022	1. Subject to the upcoming work on illustrative examples, all issues raised in response to ED 70 and 71, and advice provided by CAG members, had been considered and addressed by the IPSASB.	1. N/A – no BC is required for this process decision
December 2022	2. Subject to instructions regarding capital transfers, the lists of proposed illustrative examples for the draft Revenue IPSAS are appropriate.	2. BC34-BC36 in [draft] IPSAS [X], <i>Revenue (Agenda Item 2.3.1)</i>
December 2022	3. The proposed approach to developing the revised Amendments to Other IPSAS for the draft Revenue IPSAS was appropriate.	3. N/A – no BC is required for this process decision
December 2022	4. Subject to proposed drafting changes, the core text, application guidance, bases for conclusions, and implementation guidance sections in the draft Revenue IPSAS were appropriate for inclusion in the final IPSAS.	4. N/A – no BC necessary
September 2022	1. The disclosure requirement proposed in ED 70 on compelled revenue transactions should be retained, without changes.	1. BC111–BC116
September 2022	2. Subject to the instructions below, the proposed implementation guidance topics are appropriate.	2. BC64, BC90, BC96, BC101, BC104, and BC108
July 2022	1. Subject to the instructions, the examples are appropriate for inclusion in the revised draft revenue IPSAS.	1. BC134
June 2022	1. IPSAS 41 accounting principles should be applied by analogy to subsequently measure non-contractual receivables, as proposed in the ED.	1. BC105–BC108
June 2022	2. The disclosure requirements proposed in the ED remain appropriate and should be retained, in the revised order proposed.	2. BC111–BC116
June 2022	3. The accounting for capital transfers is addressed by the general model on revenue arising from binding arrangements.	3. BC134
March 2022	1. The term ‘compliance obligation’ should be used for the single concept of an entity’s legally binding obligation arising from a revenue transaction with a binding arrangement.	1. BC28 and BC52
March 2022	2. After approval of the new Revenue and Transfer Expenses pronouncements, if the IPSASB votes to re-expose, the new Exposure Draft should include a Specific Matter for Comment related to the new term for the single concept of an entity’s legally binding obligation in a revenue transaction with binding arrangements.	2. Pending

March 2022	3. An entity should consider whether changes in external factors indicate a change in the substance of its binding arrangement, or collectively with internal factors (such as intention to enforce) inform subsequent measurement considerations.	3. BC103, BC104, and BC120
December 2021	1. An entity's obligation in a binding arrangement in Revenue accounting is a narrower concept than 'present obligation' in the IPSASB Conceptual Framework: it is a legally binding obligation in a binding arrangement, which is a unit of account for revenue accounting, to use resources received/receivable in compliance with the terms of the binding arrangement.	1. BC22 and BC27
December 2021	2. The existing term 'performance obligation' should be adopted for binding obligations arising from revenue transactions with binding arrangements subject to any further staff analysis.	2. This decision was superseded by the March 2022 Decision regarding 'compliance obligation'. BC28 and BC52
December 2021	3. The proposed guidance should be incorporated in the Revenue IPSAS to clarify how an entity should distinguish its individual obligations in a binding arrangement, with refinements.	3. BC90
December 2021	4. Specified activities and eligible expenditures are examples of ways in which an entity may fulfill its obligations in a binding arrangement.	4. BC96
October 2021	1. Revenue guidance should be presented as a single IPSAS.	1. BC18, BC19, BC26, and BC29
September 2021	1. A transfer recipient recognizes a liability (deferred revenue) in its binding arrangement when it has received resources prior to fulfilling its present (compliance) obligation(s), and the enforceable terms of the binding arrangement require the entity (i.e., the transfer recipient) to transfer resources to another party if it does not fulfill its present (compliance) obligation(s).	1. BC92
September 2021	2. A liability (deferred revenue) is extinguished as the transfer recipient fulfills its present obligations to earn revenue.	2. BC93
September 2021	3. The detailed review of guidance in the draft pronouncements, based on Board decisions for the Revenue and Transfer Expenses projects, be delegated to the Drafting Group.	3. N/A – DG decided no BC is required for this process decision. The DG is a sub-group for the Board.
September 2021	4. The guidance in the draft IPSAS based on ED 71 and ED 72 be reordered to require the entity to consider up front whether the transaction arises without or with a binding arrangement.	4. BC18 and BC64
June 2021	1. Retain the definition of a 'binding arrangement' in the Revenue standard(s), as it is conceptually consistent with the definitions elsewhere in IPSAS literature, with the following minor wording revisions: include "for the purposes of this Standard," and "enforceability through	1. BC47

	legal or equivalent means”, and change “both parties” to “the parties”.	
June 2021	2. Clarify in the Revenue and Transfer Expenses standards that enforceability is based on the entity’s ability to enforce the binding arrangement and uncertainty of enforcement is a measurement issue.	2. BC120
June 2021	3. Confirm that enforceability is the ability to impose consequences on parties that do not fulfill their agreed-upon obligations in the binding arrangement, and the guidance proposed in paragraph 21 should be added as Application Guidance.	3. BC16
June 2021	4. Confirm that the assessment of enforceability of a binding arrangement occurs at inception and when a significant external change indicates that there may be a change in the enforceability of that binding arrangement.	4. BC120
June 2021	5. Confirm that legal or equivalent means is consistent with ‘legal obligation’ as described in the Conceptual Framework Chapter 5 and is not ‘non-legally binding obligation’	5. BC32
June 2021	6. Revise the definition of a liability in the IPSASB’s Conceptual Framework by replacing ‘outflow of resources’ with ‘transfer of resources’ as the revised wording clarifies (i.e., does not substantially change) the underlying concepts.	6. Processed in the Conceptual Framework project. Also see BC91
June 2021	7. Incorporate additional guidance and examples into the Conceptual Framework on ‘transfer of resources’, as outlined in the Agenda Item, to clarify the ambiguities associated with what entails a ‘transfer of resources’	7. Processed in the Conceptual Framework project.
April 2021	1. Confirm, for revenue, that there is no initial recognition when no party has fulfilled its stated obligations under the binding arrangement, unless the binding arrangement is onerous. Accounting for the binding arrangement begins when the binding arrangement is at least partially fulfilled (i.e., at least one party begins to fulfill one or more of its stated obligations).	1. BC94
April 2021	2. An entity’s right and obligation within a binding arrangement are directly linked and interdependent. When the binding arrangement is wholly unfulfilled, the combined right and obligation constitutes a single asset or liability.	2. BC94
March 2021	1. Revise the title(s) of the proposed revenue standard(s) to reflect the nature of revenue transactions in the public sector.	1. BC18
March 2021	2. For the time being, continue to present revenue guidance as two separate standards with the standard based on ED 71, <i>Revenue without Performance Obligations</i> first (i.e., Option 1).	2. N/A – no longer necessary based on October 2021 Agenda Item 3.2.1 decision to have a single Revenue IPSAS

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March 2021	3. Retain the concept of a binding arrangement as a fundamental concept for revenue accounting, and that the existence of rights and obligations within, and enforceability of, a binding arrangement mean that it contains at least one present (compliance) obligation.	3. BC15 and BC48
March 2021	4. Adopt the principle that enforceability of a binding arrangement can arise from various mechanisms, so long as the mechanism(s) provide the entity with the ability to enforce the binding arrangement and hold the parties accountable to the satisfaction of stipulated obligations.	4. BC16
March 2021	5. Highlight that an entity should assess all relevant factors at the transaction date to determine whether an arrangement is enforceable.	5. BC121
March 2021	6. Retain revenue from performance obligations as a separate type of revenue.	6. This decision has been incorporated in conjunction with December 2021 Decisions. See BC11, BC20–BC26, BC28, and BC29
March 2021	7. Highlight that performance obligations are a subset of present obligations that embody a specific transfer of a distinct good or service to a purchaser or third-party beneficiary.	7. This decision has been incorporated in conjunction with December 2021 Decisions. See BC11, BC20–BC26, BC28, and BC29
March 2021	8. Revise existing Application Guidance to state that, where there is objective evidence that a portion of consideration relates to the transfer of distinct goods or services to the purchaser/transfer provider or a third-party beneficiary, disaggregate the transaction price and account for the component(s) relating to the transfer of distinct goods or services in accordance with ED 70, <i>Revenue with Performance Obligations</i> then use ED 71 to account for any remaining component(s). If the portion is unclear, account for the entire transaction in accordance with ED 71.	8. This decision has been incorporated in conjunction with December 2021 Decisions. See BC30
March 2021	9. Highlight that enforceability in a binding arrangement gives rise to a liability (deferred revenue) for the transfer recipient to the extent that the terms of the arrangement are not yet satisfied.	9. BC91-BC92
March 2021	10. Proceed with the proposed Revenue project plan, use in-period review sessions as needed, and revisit the need, role, and composition of a Task Force in Q2 2021.	10. N/A – no BC is required for this process decision
December 2020	1. Reorder the draft guidance in ED 70 and ED 71 to begin with ED 71, either as a separate standard, or a combined standard.	1. BC18

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December 2020	2. Address concerns over the nature and length of disclosures in all three EDs by taking a principles-based approach focusing on the nature of the transactions and their risks.	2. BC112
December 2019	1. All decisions made up until December 2019 were reflected in the Exposure Draft (ED) 70, Revenue with Performance Obligations and Exposure Draft (ED) 71, Revenue without Performance Obligations	1. All decisions made up until December 2019 were reflected in the Exposure Draft (ED) 70, Revenue with Performance Obligations and Exposure Draft (ED) 71, Revenue without Performance Obligations
Transfer Expenses		
December 2022	1. Subject to instructions regarding capital transfers, the lists of proposed illustrative examples for the draft Transfer Expenses IPSAS are appropriate.	1. BC9(f)
December 2022	2. The proposed approach to developing the revised Amendments to Other IPSAS for the draft Transfer Expenses IPSAS was appropriate.	2. N/A – no BC is required for this process decision. See Agenda Item 2.2.3.
December 2022	3. Subject to proposed drafting changes, the core text, application guidance, bases for conclusions, and implementation guidance sections in the draft Transfer Expenses IPSAS were appropriate for inclusion in the final IPSAS.	3. N/A – no BC necessary
September 2022	1. Subject to drafting instructions, the signposting to the presentation and disclosure requirements in IPSAS 1, IPSAS 19, IPSAS 28, and IPSAS 30, as well as the requirement to disclose the significant judgements made regarding the recognition of a transfer right asset, is appropriate.	1. BC31 in [draft] IPSAS [X], <i>Transfer Expenses</i> (Agenda Item 2.3.2)
September 2022	2. The disclosure of a reconciliation between the opening and ending balance of a transfer right asset should be removed.	2. BC32
September 2022	3. Subject to drafting instructions, the application of the presentation and disclosure requirements for expenses in IPSAS 1 should be applied to transfer expenses.	3. BC31(a)
September 2022	4. Subject to drafting instructions, the addition of the terms ‘transfer consideration’ and ‘stand-alone consideration’ is appropriate.	4. BC17
September 2022	5. Referring to existing guidance in IPSAS 19 for variable consideration from a transfer provider’s perspective is appropriate.	5. BC30(b)
September 2022	6. Allocating the transfer consideration to individual transfer rights based on the amounts stated in a binding arrangement, or if not explicitly stated, the amounts the transfer provider intended to compensate the transfer	6. BC30(d)

	recipient for fulfilling each of its obligations in the binding arrangement is appropriate.	
September 2022	7. The draft Transfer Expenses IPSAS can be applied on either a full retrospective or prospective basis.	7. BC34-BC36
September 2022	8. Subject to drafting instructions, the revised core text and application guidance reviewed during the page-by-page review should be incorporated into the [draft] IPSAS, <i>Transfer Expenses</i> .	8. The decisions to move away from ED 72 and to revise the core text are explained in the background section in BC1-BC9.
September 2022	9. Subject to drafting instructions, the proposed implementation guidance topics are appropriate.	9. N/A – The DG decided no BC is required for this process decision. The DG is a sub-group for the Board.
June 2022	1. Subject to drafting instructions, the key transfer expense accounting principle is determining whether the entity controls a transfer right.	1. BC20
June 2022	2. Subject to drafting instructions, a liability should be recognized prior to the transfer if: (a) In transactions arising from a binding arrangement, the transfer recipient fulfilled its compliance obligations; or (b) In transactions not involving a binding arrangement, the facts and circumstances results in: A constructive obligation as described in IPSAS 19 or a legal obligation which requires an outflow of resources.	2. BC29 and BC26
June 2022	3. Subject to instructions on drafting implementation guidance, appropriations are addressed by the general accounting model for transfer expenses and no additional authoritative guidance is needed.	3. BC23(h)
June 2022	4. Onerous contracts are not applicable to transfer expenses.	4. BC12
March 2022	1. An entity should consider whether changes in external factors indicated a change in the substance of its binding arrangement, or collectively with internal factors (such as intention to enforce) inform subsequent measurement considerations.	1. BC23(d)
December 2021	1. Non-cash resources transferred by a transfer provider should be measured at their carrying amount in line with the requirements in other IPSAS.	1. BC24 and BC30(a)
September 2021	1. Where the transfer provider in a binding arrangement transfers cash or other resources prior to the transfer recipient fulfilling its obligations, the transfer provider's enforceable right to have the transfer recipient fulfill its obligations (or face consequences outlined in the binding arrangement) meets the definition of an asset.	1. BC27
September 2021	2. As an asset may exist where the transfer provider transfers cash or other resources prior to the transfer recipient fulfilling its obligations, the accounting model adopted in ED 72 for transfer expenses where the	2. The decisions to move away from ED 72 and to revise the core text are explained in the

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	transfer recipient has a present obligation should not be retained.	background section in BC1-BC9.
September 2021	3. Revisions, proposed in the Appendices, to address constituent concerns should be incorporated into the draft IPSAS based on ED 72 (except for Recommendation 3 on binding arrangements and onerous contracts).	3. The decisions to move away from ED 72 and to revise the core text are explained in the background section in BC1-BC9.
September 2021	4. The distinction between transfer expenses with performance obligations and transfer expenses without performance obligations previously proposed in ED 72 should be removed, as it is not useful from a transfer provider perspective.	4. The decisions to move away from ED 72 and to revise the core text are explained in the background section in BC1-BC9.
September 2021	5. The detailed review of guidance in the draft pronouncements, based on Board decisions for the Revenue and Transfer Expenses projects, be delegated to the Drafting Group.	5. N/A – The DG decided no BC is required for this process decision. The DG is a sub-group for the Board.
September 2021	6. The guidance in the draft IPSAS based on ED 71 and ED 72 be reordered to require the entity to consider up front whether the transaction arises without or with a binding arrangement.	6. BC21
June 2021	1. Incorporate the definition of a 'binding arrangement' (as decided above for Revenue) into the final Transfer Expenses standard to ensure the standards are conceptually consistent and freestanding.	1. BC22 and BC23(a)-(b)
June 2021	2. Clarify in the Revenue and Transfer Expenses standards that enforceability is based on the entity's ability to enforce the binding arrangement and uncertainty of enforcement is a measurement issue.	2. BC23(c)
June 2021	3. Confirm that enforceability is the ability to impose consequences on parties that do not fulfill their agreed-upon obligations in the binding arrangement, and the guidance proposed in paragraph 21 should be added as Application Guidance.	3. BC23(c)
June 2021	4. Confirm that the assessment of enforceability of a binding arrangement occurs at inception and when a significant external change indicates that there may be a change in the enforceability of that binding arrangement.	4. BC23(d)
June 2021	5. Confirm that legal or equivalent means is consistent with 'legal obligation' as described in the Conceptual Framework Chapter 5 and is not 'non-legally binding obligation'	5. BC29
June 2021	6. Revise the definition of a liability in the IPSASB's Conceptual Framework by replacing 'outflow of resources' with 'transfer of resources' as the revised wording clarifies (i.e., does not substantially change) the underlying concepts.	6. Processed in the Conceptual Framework project and referenced in BC29.

April 2021	1. Address principle-related issues raised by constituents first, before considering other issues raised.	1. The decisions to move away from ED 72 and to revise the core text are explained in the background section in BC1-BC9.
April 2021	2. Revise the presentation of guidance in the transfer expense standard to better reflect the public sector.	2. BC9(e)
April 2021	3. Retain binding arrangement as a fundamental concept for transfer expense accounting. Principles related to binding arrangements should be consistent. Identification and assessment of a binding arrangement is from the perspective of the entity.	3. BC9(d) and BC20-BC21
April 2021	4. Confirm that, in a binding arrangement, each party will have at least one present obligation.	4. BC23(e)
April 2021	5. Confirm that enforceability can be demonstrated by various mechanisms in transfer expense accounting, and all relevant factors should be considered in that analysis.	5. BC23(b)
April 2021	6. Confirm that enforceability of a binding arrangement may give rise to an asset for the transfer provider when it is partially fulfilled.	6. BC27
April 2021	7. Be conceptually consistent with the present obligation principles developed for revenue, and consider substance of the arrangement from the different perspectives (transfer provider vs. transfer recipient) in assessing whether to retain the distinction of performance obligations for transfer expense accounting.	7. The decisions to move away from ED 72 and to revise the core text are explained in the background section in BC1-BC9.
April 2021	8. Consider the implication of the IPSASB's decision on the treatment of "consideration not directly attributable to the transfer of distinct goods or services" at a later date, based on the decision to either retain or remove the distinction of transfer expenses with and without performance obligations.	8. The decisions to move away from ED 72 and to revise the core text are explained in the background section in BC1-BC9.
April 2021	9. Incorporate executory contract accounting principles without explicitly referring to the term executory contracts. Drafting should refer to specific principles to account for binding arrangements.	9. BC23(e) and BC23(g)
April 2021	10. Confirm, for transfer expenses, that there is no initial recognition when no party has fulfilled its stated obligations under the binding arrangement, unless the binding arrangement is onerous. Accounting for the binding arrangement begins when the binding arrangement is at least partially fulfilled (i.e., at least one party begins to fulfill one or more of its stated obligations).	10. BC23(f)
April 2021	11. Confirm an entity's right and obligation within a binding arrangement are directly linked and interdependent.	11. BC23(g)

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	When the binding arrangement is not completely fulfilled, the combined right and obligation constitute a single asset or liability.	
December 2020	1. Address concerns over the nature and length of disclosures in all three EDs by taking a principles-based approach focusing on the nature of the transactions and their risks.	1. BC31-BC33
December 2019	1. All decisions made up until December 2019 were reflected in the Exposure Draft (ED) 72, Transfer Expenses	1. All decisions made up until December 2019 were reflected in the Exposure Draft (ED) 72, Transfer Expenses

Project Update and Next Steps (Discussion Only)

Purpose

1. To provide an overview of project progress and next steps leading to March 2023 approval. This paper is for discussion purposes only.

Background

2. The IPSASB started its review of responses to the Revenue and Transfer Expenses Exposure Drafts (EDs) in December 2020. The IPSASB focused first on finalizing accounting principles in the authoritative guidance before moving to finalize the non-authoritative guidance.
3. In December 2022, staff presented a detailed summary of the IPSASB's substantial progress on both projects, using its consistent approach and support of a Drafting Group (DG) ([Agenda Item 9.2.1](#)). This informational paper provides an update on progress since the December 2022 IPSASB meeting.

As of February 2023

4. Staff developed, and the Drafting Group reviewed, for both [draft] IPSAS:

Additions / Revisions	Impacted Guidance
[NEW] Illustrative Examples (IEs)	Illustrative Examples
[NEW] Amendments to Other IPSAS	Amendments to Other IPSAS
Minor revisions based on individual Board member comments, and to align with changes proposed in IPSAS 46, <i>Measurement</i>	Core Text, Application Guidance, Basis for Conclusions, Implementation Guidance

5. Staff provides further detail in Agenda Items [2.2.2](#) and [2.3.1](#) (for Revenue) and Agenda Items [2.2.3](#) and [2.3.2](#) (for Transfer Expenses). Board member can provide comments during the discussion of these items.

Next Steps

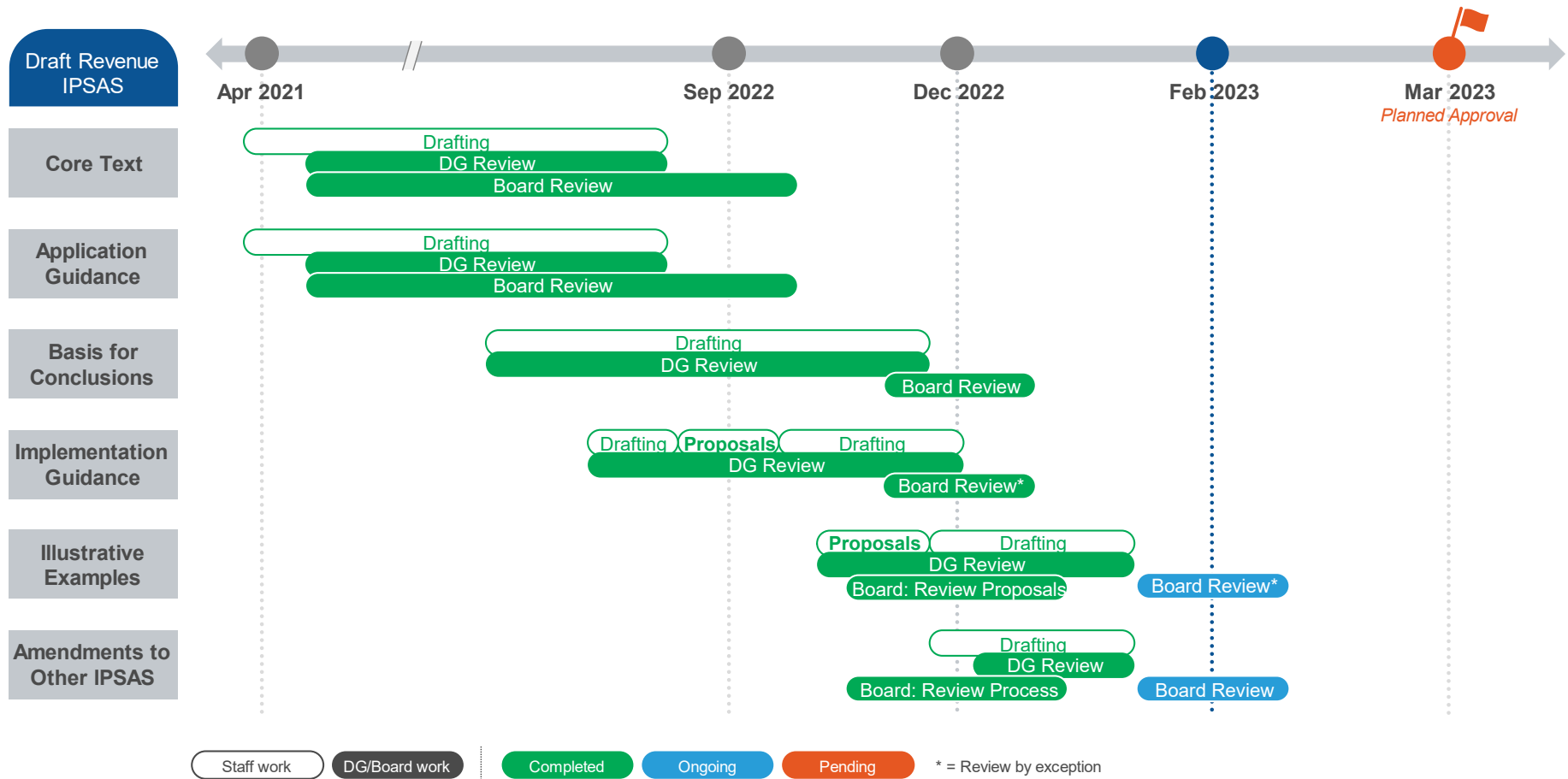
6. In March 2023:
 - (a) The IPSASB will be asked to approve the Revenue and Transfer Expenses IPSAS. Once the Board approves the new IPSAS, it will consider the need for re-exposure as part of due process¹; and
 - (b) Staff will present a due process paper which will analyze and inform on the need for a re-exposure vote for each project.

¹ IPSASB Due Process requires the IPSASB to consider whether there has been a substantial change from the original exposure draft such that a vote on re-exposure is necessary. An affirmative vote by IPSASB in accordance with the IPSASB's Terms of Reference that re-exposure is required to issue a re-exposure draft. If the IPSASB votes to re-expose, the basis of its decisions is recorded in the minutes. The re-exposure would be accompanied with a summary memorandum (At-a-Glance document) that includes the rationale and sufficient information to understand the changes made as a result of the earlier exposure.

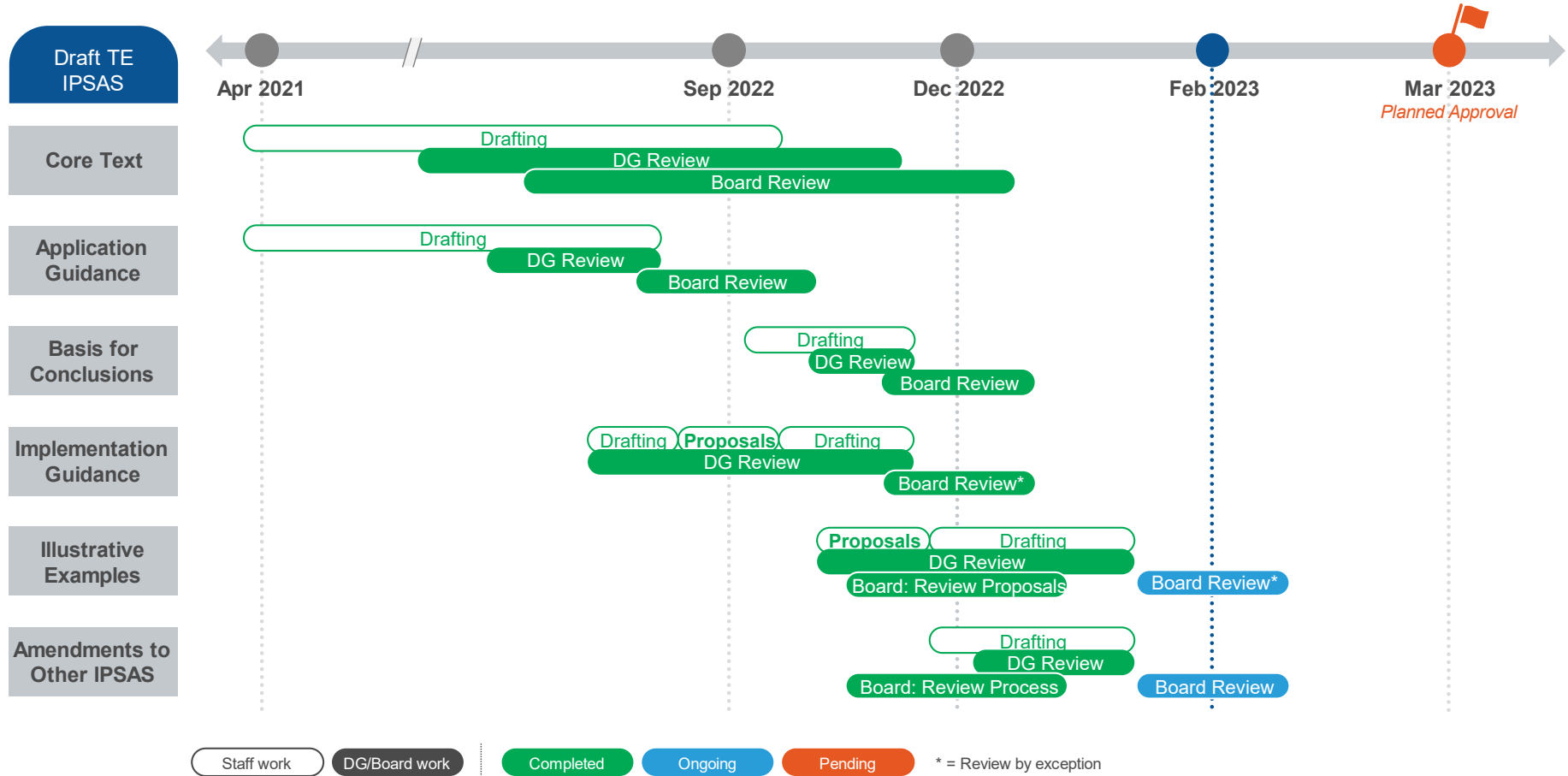
Appendix 1 – Updated Progress and Timeline for the Proposed Revenue and Transfer Expenses IPSAS

The following diagrams provide a visual timeline for work on the Revenue and Transfer Expenses projects, respectively.

Revenue



Transfer Expenses



Updates to [draft] IPSAS [X], *Revenue*

Question

1. Does IPSASB agree to add the proposed Illustrative Examples and Amendments to Other IPSAS to [draft] IPSAS [X], *Revenue*?

Recommendation

2. Staff and the Drafting Group (DG) recommend adding the proposed Illustrative Examples and Amendments to Other IPSAS, as discussed below, to [draft] IPSAS [X], *Revenue*.

Background

3. The IPSASB completed detailed reviews of the core text, Application Guidance, Implementation Guidance, and Basis for Conclusions over the past few meetings, including page-by-page flips. The IPSASB requested staff and the DG identify any issues with Illustrative Examples that require IPSASB review by exception.
4. Staff have worked with the DG to develop the Illustrative Examples and Amendments to Other IPSAS in [draft] IPSAS [X], *Revenue*, as approved by the IPSASB in December 2022 ([Agenda Items 9.2.3 and 9.2.4](#)). This paper highlights key changes since December 2022, and any issues identified by the DG which require the IPSASB's detailed review.

Analysis

Illustrative Examples (Pages 175-237 of [Agenda Item 2.3.1](#))

5. The IPSASB agreed with the December 2022 proposals and requested another capital transfer example, for a total of 63 Illustrative Examples. Based on its work in Q1 2023, staff and the DG have:
 - (a) **Further reduced the number of Illustrative Examples in the current [draft] IPSAS** – After drafting and subsequent review, staff and the DG determined that five of the Examples originally proposed in December 2022 [Agenda Item 9.2.3](#) should not be included in the [draft] IPSAS [X], *Revenue* (see [Appendix 1](#) for details and rationale); and
 - (b) **Added the new Capital Transfers Illustrative Example** – Staff worked directly with DG and Board members offline to develop Example 52, which illustrates that a transfer of a physical asset may not be a capital transfer, and the initial measurement of non-cash consideration.
6. As a result, the revised draft Revenue IPSAS has 58 Illustrative Examples. The DG did not identify any issues in the illustrative examples which require additional IPSASB review.

Amendments to Other IPSAS (Pages 87-136 of [Agenda Item 2.3.1](#))

7. The IPSASB agreed with the proposed approach² to revise Amendments to Other IPSAS (in December 2022 [Agenda Item 9.2.4](#)). Based on its work in Q1 2023, staff and the DG have proposed amendments to 25 IPSAS (summarized in [Appendix 2](#)) and highlight the following:

² This approach included (1) combining the two sets of Amendments proposed in Exposure Draft (ED) 70 and ED 71; (2) eliminating duplication and amendments that are no longer relevant; (3) revising previously proposed Amendments (e.g., for consistency with new revenue terminology and wording); and (4) considering amendments to new IPSAS issued after December 2019.

- (a) **Reassessed Amendments (previously proposed in ED 70 and ED 71) relating to “exchange” and “non-exchange”** – Staff and the DG noted that the Exposure Drafts took a simplified approach to amendments regarding “exchange” and “non-exchange” to reflect the proposed revenue model. The Amendments to Other IPSAS have since been revised based on feedback in response to the EDs and subsequent modifications to the revenue model. Specifically, revisions are intended to reflect the IPSASB’s acknowledgement that while the distinction is no longer being used to classify and account for revenue, the underlying concept of exchange and non-exchange still exists to describe the economic nature of transactions in the public sector, and the use of these terms remains appropriate in other IPSAS.
 - (b) **Reconsidered usage of specific terminology** – With support from the DG, staff searched the 2022 IPSASB Handbook to identify any additional revisions not previously captured in the EDs, to enhance consistency in terminology across the suite of IPSAS (e.g., replacing “capital grants” with “capital transfers”, amending guidance that refers to “construction contracts” without explicitly referencing IPSAS 11, etc.).
 - (c) **Reconsidered whether the IPSAS 33 transitional exemptions for revenue remain appropriate** – In general, transitional exemptions are intended to provide relief during the adoption of IPSAS. IPSAS 33 provided transitional exemptions for revenues in the scope of IPSAS 9 and IPSAS 23 to acknowledge the practical challenges to recognize and measure revenue appropriately (e.g., the potential need for complex models, new or upgraded systems, etc.). The new revenue IPSAS and its binding arrangement model would pose similar, adoption challenges for public sector entities. Thus, staff’s view is that the transitional exemption should be available for the new Revenue IPSAS. Staff have retained the amendments proposed in the EDs, with revisions, and also added BC65A to summarize this assessment.
8. Staff also considered whether Amendments will be necessary for the upcoming IPSAS issuances:
- (a) **Amendments to IPSAS 45 will not differ substantially from Amendments to IPSAS 17** – The IPSASB approved IPSAS 45, *Property, Plant and Equipment* in December 2022, which will replace IPSAS 17, *Property, Plant and Equipment*. IPSAS 45 will be issued with IPSAS 46, *Measurement* (after its expected approval in March 2023). The project staff leads do not expect Revenue’s proposed Amendments to IPSAS 45, which will be provided in March 2023, to differ substantially from proposed Amendments to IPSAS 17; and
 - (b) **No Amendments to IPSAS 46 are required** – Considering the current draft of IPSAS 46 (February 2023 Agenda Item 1), the project staff leads do not expect any Amendments by the proposed Revenue IPSAS to the Measurement IPSAS.

Decision Required

9. Does the IPSASB agree with the staff [recommendation](#)?

Appendix 1: Rationale for Exclusion of Specific Illustrative Examples

The following five Illustrative Examples were not incorporated in the [draft] IPSAS [X], *Revenue* for the reasons below:

Original Exposure Draft IE	Principle Illustrated	Rationale for Exclusion from [draft] IPSAS [X], <i>Revenue</i>
ED 71 Example 23	Scope exclusion (Contribution from Owners)	Authoritative guidance is sufficiently clear, and the example is not necessary nor useful. Thus, ED 71 Example 23 would <u>not</u> meet the retention criteria agreed-upon by the IPSASB in December 2022.
ED 71 Example 10	Identifying the Revenue Transaction	Example 1 (based on ED 70 Example 1) is sufficient to illustrate this principle. Thus, ED 71 Example 10 would <u>not</u> meet the retention criteria agreed-upon by the IPSASB in December 2022.
ED 71 Example 14	Identifying the Revenue Transaction	Example 2 (based on ED 70 Example 2) illustrates the principle, using similar facts, in a more comprehensive and clear manner. Thus, ED 71 Example 14 would <u>not</u> meet the retention criteria agreed-upon by the IPSASB in December 2022.
ED 71 Example 18	Application of Principles to Specific Transactions: Fines	The DG noted that the fact pattern in this ED 71 Example did not realistically reflect a prevalent transaction in the public sector that would be within the scope of the Revenue IPSAS, and thus would not meet the criteria for inclusion. Staff and the DG considered whether to substantially revise the facts to illustrate application of accounting principles to account from revenue from a fine. Staff and the DG concluded that ED 71 Example 18 is <u>not</u> necessary as it would not meet the retention criteria agreed-upon by the IPSASB in December 2022.
ED 71 Example 27	Application of Principles to Specific Transactions: Interaction with IPSAS 41	After further analysis, staff and the DG concluded that this ED 71 Example did not illustrate any revenue principles and considered whether to substantially revise it to illustrate principles in the current draft Revenue IPSAS (e.g., to illustrate application of guidance related to scope or initial measurement of non-cash consideration). Staff and the DG concluded that other IEs already sufficiently illustrate these principles. Thus, ED 71 Example 27 would <u>not</u> meet the retention criteria agreed-upon by the IPSASB in December 2022.

Appendix 2: Summary of Amendments to Other IPSAS

The following table summarizes the list of IPSAS that will be amended by [draft] IPSAS [X], *Revenue* and a high-level summary of the amendments:

IPSAS	Summary of Key Amendments
IPSAS 1, <i>Presentation of Financial Statements</i>	<ul style="list-style-type: none"> IPSAS scope/references Consistency in wording and terminology
IPSAS 2, <i>Cash Flow Statements</i>	<ul style="list-style-type: none"> Consistency in wording and terminology
IPSAS 4, <i>The Effects of Changes in Foreign Exchange Rates</i>	<ul style="list-style-type: none"> IPSAS scope/references Consistency in wording and terminology
IPSAS 5, <i>Borrowing Costs</i>	<ul style="list-style-type: none"> Consistency in wording and terminology
IPSAS 9, <i>Revenue from Exchange Transactions</i>	<ul style="list-style-type: none"> Move definitions of “exchange transactions” and “non-exchange transactions” to IPSAS 12, as they remain relevant in other IPSAS
IPSAS 12, <i>Inventories</i>	<ul style="list-style-type: none"> Bring over IPSAS 9 definitions, as described above IPSAS scope/references
IPSAS 16, <i>Investment Property</i>	<ul style="list-style-type: none"> IPSAS scope/references Recognition and measurement upon derecognition, consistent with IAS 40, <i>Investment Property</i>
IPSAS 17, <i>Property, Plant and Equipment</i> [Note: IPSAS 17 will be replaced by IPSAS 45, which is subject to IPSAS 46, <i>Measurement</i> .]	<ul style="list-style-type: none"> IPSAS scope/references Recognition and measurement upon derecognition, consistent with IAS 16, <i>Property, Plant and Equipment</i> [Note: Per discussion with the PP&E project lead, staff do not expect substantial differences in the Amendments to IPSAS 45 (for example, only paragraph referencing changes may arise). Amendments to IPSAS 45 will be in March 2023 materials.]
IPSAS 18, <i>Segment Reporting</i>	<ul style="list-style-type: none"> IPSAS scope/references Consistency in wording and terminology
IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	<ul style="list-style-type: none"> IPSAS scope/references Scoping example, consistent with IAS 37, <i>Provisions, Contingent Liabilities, and Contingent Assets</i> Consistency in wording and terminology
IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i>	<ul style="list-style-type: none"> IPSAS scope/references Consistency in wording and terminology
IPSAS 24, <i>Presentation of Budget Information in Financial Statements</i>	<ul style="list-style-type: none"> Consistency in wording and terminology
IPSAS 26, <i>Impairment of Cash-Generating Assets</i>	<ul style="list-style-type: none"> IPSAS scope/references Consistency in wording and terminology
IPSAS 27, <i>Agriculture</i>	<ul style="list-style-type: none"> IPSAS scope/references
IPSAS 28, <i>Financial Instruments: Presentation</i>	<ul style="list-style-type: none"> IPSAS scope/references
IPSAS 29, <i>Financial Instruments: Recognition and Measurement</i>	<ul style="list-style-type: none"> IPSAS scope/references

IPSAS	Summary of Key Amendments
IPSAS 30, <i>Financial Instruments: Disclosures</i>	<ul style="list-style-type: none"> • IPSAS scope/references
IPSAS 31, <i>Intangible Assets</i>	<ul style="list-style-type: none"> • IPSAS scope/references • Scope exclusion, and recognition and measurement upon derecognition, consistent with IAS 38, <i>Intangible Assets</i>
IPSAS 32, <i>Service Concession Arrangements: Grantor</i>	<ul style="list-style-type: none"> • IPSAS scope/references
IPSAS 33, <i>First-Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i>	<ul style="list-style-type: none"> • IPSAS scope/references • Additional BC to explain why the transitional exemption remains appropriate for transactions in the scope of [draft] Revenue IPSAS
IPSAS 35, <i>Consolidated Financial Statements</i>	<ul style="list-style-type: none"> • Consistency in wording and terminology
IPSAS 40, <i>Public Sector Combinations</i>	<ul style="list-style-type: none"> • IPSAS scope/references • Consistency in wording and terminology
IPSAS 41, <i>Financial Instruments</i>	<ul style="list-style-type: none"> • IPSAS scope/references • Consistency in wording and terminology • Scope considerations, consistent with IFRS 9
IPSAS 43, <i>Leases</i>	<ul style="list-style-type: none"> • IPSAS scope/references • Consistency in wording and terminology
IPSAS 44, <i>Non-current Assets Held for Sale and Discontinued Operations</i>	<ul style="list-style-type: none"> • Consistency in wording and terminology
IPSAS 45, <i>Property, Plant and Equipment</i> [pending issuance]	<ul style="list-style-type: none"> • [Note: see note in IPSAS 17]

Updates to [draft] IPSAS [X], *Transfer Expenses*

Question

1. Does IPSASB agree to add the proposed Illustrative Examples and Amendments to Other IPSAS to [draft] IPSAS [X], *Transfer Expenses*?

Recommendation

2. Staff and the Drafting Group (DG) recommend adding the proposed Illustrative Examples and Amendments to Other IPSAS, as discussed below, to [draft] IPSAS [X], *Transfer Expenses*.

Background

3. The IPSASB completed detailed a review of the core text, Application Guidance, Implementation Guidance, and Basis for Conclusions, including a page-by-page flip. The IPSASB requested staff and the DG identify any issues with Illustrative Examples that require IPSASB review by exception.
4. Staff worked with the DG to develop the Illustrative Examples and Amendments to Other IPSAS in [draft] IPSAS [X], *Transfer Expenses*, as approved by the IPSASB in December 2022 ([Agenda Items 9.2.3 and 9.2.4](#)). This paper highlights key changes since the December proposals, and any issues identified by the DG which require the IPSASB's detailed review.

Analysis

Illustrative Examples (Pages 47-60 of [Agenda Item 2.3.2](#))

5. The IPSASB agreed with the December 2022 proposals to include 11 Illustrative Examples. Staff and the DG made 2 key changes since the December 2022 proposals:
 - (a) **Added an example to illustrate the derecognition and impairment of a transfer right asset** due to the transfer recipient's non-compliance with the terms of the binding arrangement (Example 8). This addition was requested by members at the December 2022 meeting; and
 - (b) **Removed an example on display and disclosure**, based on the following considerations:
 - (i) The display and disclosure requirements in the revised draft Transfer Expense IPSAS are driven largely by requirements in existing IPSAS (including IPSAS 1, *Presentation of Financial Statements*, IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, IPSAS 28, *Financial Instruments: Presentation*, and IPSAS 30, *Financial Instruments: Disclosures*.) These requirements are not new to constituents and are not expected to be challenging for constituents to apply;
 - (ii) The IPSAS do not normally provide examples on how to apply another IPSAS that has been referenced in the standard; and
 - (iii) Based on the initial example drafted by staff, the DG agreed that the disclosure example would have been too specific to the facts and circumstances of the sample fact pattern. Without using generic language that would not be helpful to constituents, it would not have been possible to come up with an example that applies generally to all, or even most, constituents.
6. As a result, the revised draft Transfer Expenses IPSAS has 11 Illustrative Examples. The DG did not identify any issues in the illustrative examples which require additional IPSASB review.

Amendments to Other IPSAS (Pages 25-30 of [Agenda Item 2.3.2](#))

7. Based on the approach proposed in December 2022 to revise the Amendments to Other IPSAS, the following IPSAS were amended:
- (a) IPSAS 4, *The Effect of Changes in Foreign Exchange Rates* – clarification that transfer right assets are non-monetary items;
 - (b) IPSAS 12, *Inventories* – clarification that the distribution of inventory for nominal or no consideration are transfer expenses;
 - (c) IPSAS 33, *First-Time Adoption of Accrual Basis International Public Sector Accounting Standards* – added three year transitional relief for transfer expenses;
 - (d) IPSAS 40, *Public Sector Combinations* – amendment to illustrative example only; and
 - (e) IPSAS 42, *Social Benefits* – amendment to implementation guidance only.

Decision Required

8. Does the IPSASB agree with the staff [recommendation](#)?

Supporting Document 1 – [Draft] IPSAS [X], Revenue

1. The draft Revenue IPSAS is posted separately for easier readability: [HERE](#). If approved for issuance in March 2023, this would become IPSAS 47, *Revenue*.
2. The IPSASB most recently completed a detailed page-flip of the draft Revenue IPSAS in December 2022. To facilitate review, staff highlight that:
 - (a) Revisions to guidance previously reviewed in detail by the IPSASB (Core Text, Application Guidance, Basis for Conclusions, and Implementation Guidance)) since the version presented at the December 2022 IPSASB meeting are **in tracked changes**;
 - (b) Guidance added since the version presented at the December 2022 IPSASB meeting (i.e., Amendments to Other IPSAS and Illustrative Examples) have been extensively reviewed by the Drafting Group.
 - (i) To facilitate readability, these additions are not presented in tracked changes; and
 - (ii) For Illustrative Examples, drafting retained from the EDs are in grey, for reference only; and
 - (c) Minor editorial and formatting changes have been accepted to facilitate readability.

Supporting Document 2 – [Draft] IPSAS [X], *Transfer Expenses*

1. The draft Transfer Expenses IPSAS is posted separately for easier readability: [HERE](#). If approved for issuance in March 2023, this would become IPSAS 48, *Transfer Expenses*.
2. The IPSASB most recently completed a detailed page-flip of the draft Transfer Expenses IPSAS in December 2022. To facilitate review, staff highlight that:
 - (a) Revisions to guidance previously reviewed in detail by the IPSASB (Core Text, Application Guidance, Basis for Conclusions, and Implementation Guidance)) since the version presented at the December 2022 IPSASB meeting are **in tracked changes**;
 - (b) Guidance added since the version presented at the December 2022 IPSASB meeting (i.e., Amendments to Other IPSAS and Illustrative Examples) have been extensively reviewed by the Drafting Group. To facilitate readability, these additions are not presented in tracked changes; and
 - (c) Minor editorial and formatting changes have been accepted to facilitate readability.