

Meeting: International Public Sector Accounting Standards Board
Meeting Location: Toronto, Canada
Meeting Date: September 18–21, 2018
From: Paul Mason

Agenda Item 6

For:
 Approval
 Discussion
 Information

NON-EXCHANGE EXPENSES

Project summary	The aim of the project is to develop a standard(s) that provides recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits.	
Meeting objectives	Topic	Agenda Item
Project management	Decisions up to June 2018 Meeting	6.1.1
	Instructions up to June 2018 Meeting	6.1.2
	Non-Exchange Expenses Road Map	6.1.3
Decisions required at this meeting	Collective and Individual Services	6.2.1
	Disaster Relief	6.2.2
	Public Sector Performance Obligation Approach for Non-Exchange Expenses	6.2.3
Other supporting items	Draft Exposure Draft 67, <i>Collective and Individual Services and Disaster Relief</i>	6.3

DECISIONS UP TO JUNE 2018 MEETING

Date of Decision	Decision
June 2018	No additional disclosure requirements for collective services are required.
June 2018	Guidance on collective services will be provided as Application Guidance to IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i> .
June 2018	The IPSASB confirmed its view that there is no obligating event related to non-exchange transactions for collective services.
June 2018	Additional guidance on disaster relief (which remains outside of the scope of social benefits following the decision to retain the reference to “social risks” in the definition of social benefits) should be provided in IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i> .
June 2017	All decisions up to the June 2017 meeting were reflected in the Consultation Paper, <i>Accounting for Revenue and Non-Exchange Expenses</i> .

INSTRUCTIONS UP TO JUNE 2018 MEETING

Meeting	Instruction	Actioned
June 2018	The IPSASB instructed staff to incorporate descriptions of collective services and universally accessible services (or another, more appropriate term for these transactions) in the Application Guidance. Definitions are not required.	See Agenda Items 6.2.1 and 6.3
June 2018	The IPSASB instructed staff to consider amending the draft guidance in respect of collective services to refer to “resources” rather than “assets”.	See Agenda Items 6.2.1 and 6.3
June 2018	The IPSASB instructed staff to amend the draft guidance in respect of collective services to clarify that liabilities only arise in respect of the purchase of goods and services.	See Agenda Items 6.2.1 and 6.3
June 2018	In respect of collective services, the IPSASB instructed staff to include a lead-in to the Application Guidance, and Basis for Conclusion paragraphs that provide the context for including the guidance in IPSAS 19.	See Agenda Items 6.2.1 and 6.3
June 2018	The IPSASB instructed staff to consider practical examples alongside the conceptual analysis of the PSPOA.	See Agenda Item 6.2.3
June 2018	The IPSASB instructed staff to further develop the conceptual basis for applying the PSPOA to non-exchange expenses, focusing on the possible existence and nature of an asset. Staff should also provide options for the IPSASB to consider if it decides that the resource provider does not have an asset for the service potential represented by the goods or services to be transferred by the resource recipient.	See Agenda Item 6.2.3
June 2018	The IPSASB instructed staff to ensure that the further development of Step 1 (identify the binding arrangement) and Step 2 (identify performance obligations) for revenue transactions were equally appropriate for non-exchange expense transactions.	Addressed in the Revenue project (see Agenda Item 9)
June 2018	With regards to the additional guidance on disaster relief, the IPSASB instructed staff to consider the application of emergency relief provided in some jurisdictions.	See Agenda Item 6.2.2
March 2018	The IPSASB instructed staff to review the responses regarding the public sector performance obligation approach (PSPOA) again once the IPSASB has agreed a future direction, to see whether this direction addresses some of the concerns raised.	This will be undertaken once the IPSASB has made decisions regarding the PSPOA.
March 2018	The IPSASB instructed staff to develop the non-exchange expenses side of the revenue examples relating to the PSPOA.	

Social Benefits (Decisions up to June 2017 meeting)
IPSASB Meeting (September 2017)

Meeting	Instruction	Actioned
March 2018	<p>The IPSASB instructed staff to:</p> <ul style="list-style-type: none"> • Develop clear definitions of collective services and universally accessible services, taking into account the responses to ED 63. • Develop clear descriptions of how the three way relationships (resource provider, resource recipient and beneficiaries) give rise to assets, liabilities, revenue and expenses for collective services and universally accessible services. The IPSASB considered that collective services should be more straightforward, and should be addressed first. This should include draft paragraphs for an ED. • Review the previous papers to draw on previous work and examples dealing with these issues. 	
December 2017	<p>As part of the review of the Work Plan, the IPSASB instructed staff to consider non-exchange expenses as two separate streams, <i>Collective and Individual Services</i>, and <i>Grants and Other Transfers</i>.</p>	
December 2017	<p>The IPSASB requested staff consider how the Specific Matters for Comment and Preliminary Views relate to the different revenue and non-exchange expenses project streams.</p>	
June 2017	<p>All instructions up to the June 2017 meeting were reflected in the Consultation Paper, <i>Accounting for Revenue and Non-Exchange Expenses</i>.</p>	

Agenda Item 6.1.3

NON-EXCHANGE EXPENSES ROAD MAP

Meeting	Objective: IPSASB to consider:	
	Collective and Individual Services	Grants and Other Transfers
September 2018	<ol style="list-style-type: none"> 1. Discussion of issues 2. Review first draft of proposed ED 	<ol style="list-style-type: none"> 1. Discussion of issues
December 2018	<ol style="list-style-type: none"> 1. Review of draft ED 2. Approval of ED 	<ol style="list-style-type: none"> 1. Discussion of issues
March 2019	Consultation Period	<ol style="list-style-type: none"> 1. Discussion of issues 2. Review first draft of proposed ED
June 2019		<ol style="list-style-type: none"> 1. Review of draft ED
September 2019	<ol style="list-style-type: none"> 1. Review of responses 2. Initial discussion on issues raised 3. Review first draft of proposed IPSAS 	<ol style="list-style-type: none"> 1. Review of draft ED 2. Approval of ED
December 2019	<ol style="list-style-type: none"> 1. Review of draft IPSAS 2. Approval of IPSAS 	Consultation Period
March 2020		
June 2020		<ol style="list-style-type: none"> 1. Review of Responses
September 2020		<ol style="list-style-type: none"> 1. Initial discussion of issues raised
December 2020		<ol style="list-style-type: none"> 1. Further discussion of issues raised
March 2021		<ol style="list-style-type: none"> 1. Review first draft of proposed IPSAS
June 2021		<ol style="list-style-type: none"> 1. Review of draft IPSAS 2. Approval of IPSAS

Collective and Individual Services**Questions**

1. The IPSASB is asked to consider the draft Exposure Draft sections dealing with collective and individual services, and provide guidance to staff on how to further develop these sections.

Detail

2. At its June 2018 meeting, the IPSASB considered draft guidance on accounting for collective services prepared by staff. The IPSASB agreed to develop the guidance as Application Guidance to IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*. The IPSASB also agreed to extend the guidance to include universally accessible services.
3. Some respondents to ED 63, *Social Benefits*, considered that the term “universally accessible services” was confusing. The IPSASB instructed staff to identify an alternative term. Staff recommend that the term “individual services” is used. This term describes the transactions that are intended to be covered, provides an appropriate contrast with the term “collective services” and would be consistent with Government Finance Statistics (GFS).
4. The IPSASB provided direction to staff on the drafting of the guidance on accounting for collective services and universally accessible services. Staff have reflected these directions in the draft ED included at [Agenda Item 6.3](#) (see paragraphs [AG1–AG16](#) and [BC6–BC12](#)). Staff have used the term “individual services” rather than “universally accessible services” throughout this guidance.
5. In line with the IPSASB’s decision at its June 2018 meeting, staff has not included any additional disclosure requirements in respect of collective and individual services.
6. Staff has included guidance in the draft ED that the substance of both reimbursements and the provision of vouchers that can be exchanged for specific goods or services is that the public sector entity is paying for the goods or services. The transactions are therefore individual services rather than social benefits. This approach is consistent with the IPSASB’s discussions at its June 2018 meeting, and with the approach that was outlined (albeit briefly) in the Consultation Paper, *Recognition and Measurement of Social Benefits*.

Decisions required

7. The IPSASB is asked:
 - (a) Whether it supports the staff recommendation that the term “universally accessible services” be replaced by the term “individual services”;
 - (b) Whether it supports the staff recommendation that no additional disclosure requirements are included in the draft ED; and
 - (c) To review the draft ED sections covering collective and individual services, and to provide direction to staff on any further development of the guidance that is required.

Disaster Relief

Questions

1. The IPSASB is asked to consider the draft Exposure Draft (ED) sections dealing with disaster relief, and provide guidance to staff on how to further develop these sections.

Detail

2. A minority of respondents to ED 63, *Social Benefits*, proposed expanding the scope of the social benefits project to include benefits that addressed risks other than social risks, in particular benefits provided as a result of natural disasters.
3. At its June 2018 meeting, the IPSASB decided that the scope of the social benefits project should continue to be limited to benefits that addressed social risks, and that disaster relief should remain outside the scope of that project.
4. However, the IPSASB agreed that additional guidance on disaster relief should be provided in IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*. The IPSASB also instructed staff to consider how the guidance on disaster relief could address the various types of emergency relief provided in some jurisdictions.
5. Staff has developed draft Application Guidance to be included in IPSAS 19. This is provided in the draft ED included at [Agenda Item 6.3](#) (see paragraphs [AG17–AG28](#) and [BC13–BC18](#)). Key issues for the IPSASB to consider are as follows:
 - (a) Disaster relief is described as “all cash transfers to individuals and households that do not meet the definition of social benefits and which do not impose performance obligations on the recipients.” This may include cash transfers that are not related to natural disasters but other events, which staff considers will include the emergency relief referred to in paragraph 4 above. Staff considers that limiting the requirements in respect of disaster relief to cash transfers is appropriate, as the provision of any goods or services would be covered by the collective and individual services guidance discussed in [Agenda Item 6.2.1](#).
 - (b) Staff considers that, in general, a liability and an expense for disaster relief should be recognized when recipients satisfy eligibility criteria. This is consistent with the approach taken in the social benefits project. Staff considers that there may be an exception where a government announces that it will make cash transfers to all those in an affected area. In such cases, the only eligibility criteria for recipients will be their presence at the time of natural disaster or other event. Consequently, the past event will already have occurred when the government makes its announcement. In such cases, staff is of the opinion that governments should apply the existing provisions of IPSAS 19 to determine whether to recognize a provision.
 - (c) No additional disclosure requirements are included. This is consistent with the approach taken for collective and individual services (see [Agenda Item 6.2.1](#)). Staff considers that in many cases, disaster relief will be material, either because of the amounts involved or because of its nature. In such circumstances, the disclosure requirements in IPSAS 1,

Presentation of Financial Statements (and possibly IPSAS 18, *Segment Reporting*) will ensure that users' needs for information are met.

Decisions required

6. The IPSASB is asked:
 - (a) Whether it supports the following staff recommendations:
 - (i) The description of disaster relief;
 - (ii) The accounting requirements in respect of disaster relief; and
 - (iii) That no additional disclosure requirements in respect of disaster relief are necessary; and
 - (b) To review the draft ED sections covering disaster relief, and to provide direction to staff on any further development of the guidance that is required.

Public Sector Performance Obligation Approach for Non-Exchange Expenses

Questions

1. The IPSASB is asked to decide whether grants, contributions and other transfers that contain performance obligations should be accounted for using the public sector performance obligation approach (PSPOA) for non-exchange expenses, and if so, instruct staff on the development of the PSPOA.

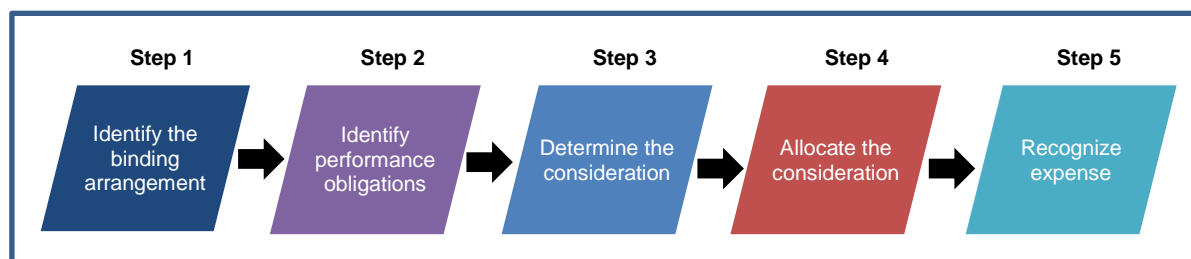
Detail

Background

2. The IPSASB considered application of the PSPOA to non-exchange expense transactions for grants, contributions and other transfers that contain performance obligations at its June 2018 meeting (see [Agenda Item 9.2.3](#) of that meeting). The IPSASB did not reach any conclusions regarding the application of the PSPOA to these non-exchange expense transactions.
3. The IPSASB instructed staff to further develop the conceptual basis for applying the PSPOA to non-exchange expenses, focusing on the possible existence and nature of an asset of the grantor/resource provider in respect of the resource recipient's performance obligations. The IPSASB also instructed staff to provide options for the IPSASB to consider if it decides that the resource recipient's performance obligations do not give rise to an asset for the grantor/resource provider.
4. This Agenda Item considers the conceptual basis for applying the PSPOA to non-exchange transactions. A decision tree showing the decisions to be taken by the IPSASB in deciding whether it would be appropriate to apply the PSPOA to non-exchange expense transactions for grants, contributions and other transfers that contain performance obligations is provided at [Appendix A](#) to this Agenda Item. This Agenda Item is structured to follow the decision tree.

Five Steps of the PSPOA

5. At its June 2018 meeting, the IPSASB agreed to adopt the PSPOA for revenue transactions with performance obligations. The PSPOA for revenue adopts a five step approach adapted from IFRS 15, *Revenue from Contracts with Customers*. The Consultation Paper (CP), *Accounting for Revenue and Non-Exchange Expenses*, further adapted these steps for non-exchange expenses. The five steps are summarized in the diagram below:



6. Steps 1 and 2 address the pre-requisites for applying the PSPOA. The PSPOA for non-exchange expenses depends upon the grantor/resource provider being able to enforce the performance obligations of the resource recipient. Consequently, this Agenda Item only considers those non-exchange expense transactions where there is both a binding arrangement and one or more clear, identifiable performance obligations.
7. Additional guidance on binding arrangements and performance obligations is being developed as part of the *Revenue* project (see Agenda Item 9). If the IPSASB agrees to proceed with the PSPOA for non-exchange expenses, this guidance will also be adopted for non-exchange expenses (with adaptations where necessary).
8. Steps 3 to 5 address the process of applying the PSPOA. These will be further developed at a later meeting if the IPSASB agrees to proceed with the PSPOA for non-exchange expenses.

Existence of Liability

9. As discussed at the June 2018 meeting, it is likely that a legal obligation will arise once the grantor/resource provider has entered into a contract or binding arrangement to provide funding. Paragraph BC5.19 of the Basis for Conclusions to the *Conceptual Framework*, states that “the IPSASB accepts that a legal obligation gives rise to a present obligation.” This present obligation would arise from a past event, entering into the contract or binding arrangement.
10. This analysis suggests that a grantor/resource provider should recognize a liability when it enters into a contract or binding arrangement to provide funding. This is the credit entry; the question to consider in determining whether the PSPOA is appropriate is what should be the debit entry?

Existence of Asset – IPSASB Decision #1

11. Under the PSPOA, the grantor/resource provider would recognize a non-exchange expense as the resource recipient meets their performance obligations. Implicit in this approach is the requirement that the grantor/resource provider initially recognizes an item (the debit entry) in the Statement of Financial Position, which is then derecognized as the expense is recognized. The most obvious candidate for this item is an asset. Paragraphs 12–31 set out the conceptual basis for concluding that the grantor/resource provider should recognize an asset in the Statement of Financial Position.
12. The *Conceptual Framework* defines an asset as:
A resource presently controlled by the entity as a result of a past event
13. Two components of this definition need to be considered – whether there is a resource (and if so, what that resource is); and whether the resource is presently controlled by the entity as a result of a past event.

Resource

14. The first component of the definition of an asset is “a resource.” The *Conceptual Framework* defines a resource as “an item with service potential or the ability to generate economic benefits.”
15. A grantor/resource provider recognizes a liability when it enters into a contract or binding arrangement because the contract of binding arrangement gives rise to a present obligation to transfer resources that can be legally enforced. Conversely, the counterparty (the resource recipient) would recognize a liability at the same time, because it will have a legal obligation to

transfer goods or services, either to the grantor/resource provider or to a third party specified by the grantor/resource provider. If a resource exists for the grantor/resource provider, the service potential embodied in those goods or services would be that resource.

16. If the goods or services were to be transferred to the grantor/resource provider, it is clear that there is a right to receive resources. Consequently, the definition of a resource is met. This situation is generally more applicable to exchange transactions than non-exchange transactions.
17. Non-exchange transactions such as grants, contributions and other transfers are often tripartite arrangements. In tripartite arrangements, the grantor/resource provider provides resources to the grant recipient to deliver goods or services to third party beneficiaries (service recipients). The IPSASB will need to decide whether the right to have goods or services transferred to the specified third parties satisfies the definition of a resource as “an item with service potential or the ability to generate economic benefits.” Staff’s view is that, provided the goods or services being transferred will allow the grantor/resource provider to meet their objectives, the right to have goods or services transferred to the specified third parties will satisfy the definition of a resource as that right will be an item with service potential.
18. Staff notes that some respondents to the CP discussed the possibility that the resource in such an arrangement is the cash (or other asset) that is provided by the grantor/resource provider (rather than the right to have goods or services delivered). Staff disagrees with this view. A liability (credit entry) is recognized when an entity enters into a contract or binding arrangement to provide funding. The debit entry would need to be recognized at the same time. In many cases, the entity will enter into the contract or binding arrangement prior to transferring the cash (or other asset). The logical consequence of this is that an asset that is recognized at the same time as the liability cannot be the cash (or other asset), as the grantor/resource provider still controls this at the point that it enters into the binding arrangement.
19. Consequently, staff have concluded that a resource would exist once the grantor/resource provider has entered into the contract or other binding arrangement, and that this resource is the right to have goods or services transferred to the specified third parties.

Control

20. The second component of the definition of an asset is that the resource is “presently controlled by the entity as a result of a past event.”
21. The *Conceptual Framework* gives four indicators of control:
 - (a) Legal ownership;
 - (b) Access to the resource, or the ability to deny or restrict access to the resource;
 - (c) The means to ensure that the resource is used to achieve its objectives; and
 - (d) The existence of an enforceable right to service potential or the ability to generate economic benefits arising from a resource.
22. As discussed above, the grantor/resource provider will have an enforceable right under the contract or binding arrangement to have the goods or services transferred, either to the grantor/resource provider or to a specified third party. Staff consider that, as a result of this enforceable right, the grantor/resource provider will have the means to ensure that the resource is used to achieve its

objectives. Staff's view is that this will mean that the grantor/resource provider presently controls any resource.

23. In order to meet the definition of an asset, this present control must be as a result of a past event. Both the enforceable right to have the goods or services transferred, either to the grantor/resource provider or to a specified third party (the resource), and the control of that resource arise from the contract or other binding arrangement. It follows that the past event is the entering into the contract or other binding arrangement.

Staff Conclusion

24. Consequently, staff have concluded that the grantor/resource provider would presently control the resource as a result of a past event once the grantor/resource provider has entered into the contract or other binding arrangement. The item therefore satisfies the definition of an asset.

Measurement

25. As discussed above, staff have concluded that the grantor/resource provider has an asset. Before concluding that the grantor/resource provider should recognize that asset, it is necessary to consider the recognition criteria.
26. The *Conceptual Framework* sets out two recognition criteria:
 - (a) An item satisfies the definition of an element; and
 - (b) Can be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in GPFRs [General Purpose Financial Reports].
27. Whether an item satisfies the definition of an element has been discussed above. This leaves the question of whether the item can be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in GPFRs to be considered.
28. In many cases, governments give grants or contributions to other entities to perform specific tasks, and the grants or contributions are intended to cover the costs incurred by the other entity (i.e., the cost of the goods or services to be transferred by the resource recipient). In such cases, the grant or contribution would represent the cost of the asset, and can be measured reliably.
29. Staff have therefore concluded that, in many cases, the cost of the item will be capable of being measured reliably, and therefore the recognition criteria will be met. In such cases, staff consider it would be appropriate to recognize an asset.

Subsequent Accounting

30. Under the PSPOA, the grantor/resource provider would recognize a non-exchange expense as the resource recipient meets their performance obligations. The asset would be derecognized as the expense is recognized.
31. This is consistent with the analysis above regarding the existence of an asset. An asset would be recognized because a grantor/resource provider would have an enforceable right to have goods or services transferred, either to the grantor/resource provider or to a specified third party. Once those goods or services have been delivered, the grantor/resource provider no longer controls the right, and it is appropriate to derecognize that right as the resource recipient meets their performance obligations to deliver the goods or services.

IPSASB Decision #1

32. The IPSASB is asked whether it agrees with the staff analysis that the grantor/resource provider should:
- (a) Recognize an asset for the enforceable right to have goods or services transferred; and
 - (b) Derecognize that asset and recognize an expense as the resource recipient meets their performance obligations
- when accounting for grants, contributions and other transfers that contain performance obligations.

Existence of Other Resource – IPSASB Decision #2

33. As noted in paragraph 11 above, implicit in the PSPOA is the requirement that the grantor/resource provider initially recognizes an item (the debit entry) in the Statement of Financial Position, which is then derecognized as the expense is recognized as the resource recipient satisfies their performance obligations.
34. If the IPSASB disagrees with staff's conclusion that the item (debit entry) to be recognized in the Statement of Financial Position is an asset, recognizing an "other resource" would also be consistent with applying the PSPOA to non-exchange transactions. The conceptual basis for recognizing an other resource (which only needs to be considered if the IPSASB disagrees with staff's conclusion that the item to be recognized in the Statement of Financial Position is an asset) is set out in paragraphs 35–51.

Definition of Other Resource

35. Paragraph 5.4 of the *Conceptual Framework* introduces the concepts of "other resources" and "other obligations":

In some circumstances, to ensure that the financial statements provide information that is useful for a meaningful assessment of the financial performance and financial position of an entity, recognition of economic phenomena that are not captured by the elements as defined in this Chapter may be necessary. Consequently, the identification of the elements in this Chapter does not preclude IPSASs from requiring or allowing the recognition of resources or obligations that do not satisfy the definition of an element identified in this Chapter (hereafter referred to as "other resources" or "other obligations") when necessary to better achieve the objectives of financial reporting.

36. To assist members, all the element definitions in the *Conceptual Framework* are reproduced at [Appendix B](#) to this Agenda Item.
37. Staff notes that there is a degree of circularity between the descriptions of other resources and other obligations and the definitions of revenue and expense. For the purposes of this Agenda Item, staff have considered other resources and other obligations to be items that do not meet the definition of assets, liabilities, ownership contributions or ownership distributions. Such items may give rise to revenue or expense, but are not immediately recognized as such in the Statement of Financial Performance as this will allow the financial statements to provide more useful information.
38. Consequently, an "other resource" should be a resource that does not satisfy the definition of either an asset or an ownership distribution.

Definition of Asset

39. As noted in paragraph 24, staff have concluded that the item satisfies the definition of an asset. The IPSASB will only need to consider if an other resource should be recognized if it disagrees with the staff conclusion.
40. An “other resource” is a resource. Staff has concluded that the resource is the right to have goods or services transferred to the specified third parties (beneficiaries). It follows that, if the IPSASB concludes that the definition of a resource for an asset has not been satisfied (see paragraphs 14–19), it would not be appropriate to recognize an “other resource”.
41. However, the definition of an asset also requires the resource to be presently controlled by the entity. The IPSASB may conclude that a resource exists, but that it is not controlled by the grantor/resource provider, and the item therefore does not satisfy the definition of an asset (see paragraphs 20–24 above). Such an item could be considered as an other resource provided that it does not meet the definition of an ownership distribution.

Definition of Ownership Distribution

42. Ownership distributions are resources distributed by an entity to external parties in those parties' capacity as owners. Many grants, contributions and other transfers that contain performance obligations are given to unrelated parties, and hence cannot be ownership distributions.
43. Staff therefore considers that, if the IPSASB concludes that a resource exists, but that it is not controlled by the grantor/resource provider, such an item could be considered as an other resource if the IPSASB agrees this would result in the financial statements providing better information for users.

Objectives of Financial Reporting

44. An other resource can only be recognized where there is no asset. An other resource should only be recognized (and recognition of an expense deferred) where the IPSASB considers this will provide useful information for users.
45. In considering this issue, the IPSASB will need to have regard to the objectives of financial reporting as set out in the *Conceptual Framework*:

- 2.1 The objectives of financial reporting by public sector entities are to provide information about the entity that is useful to users of GPFRs for accountability purposes and for decision-making purposes (hereafter referred to as “useful for accountability and decision-making purposes”).
- 2.2 Financial reporting is not an end in itself. Its purpose is to provide information useful to users of GPFRs. The objectives of financial reporting are therefore determined by reference to the users of GPFRs, and their information needs.

46. The question to be considered is which presentation would provide the most useful information for accountability purposes where an entity has given a grant that contains performance obligations, and for which it does not control the goods and services that are to be delivered through the grant:

- (a) Recognizing a liability and an other resource on initial recognition (and recognizing an expense and derecognizing the other resource as the performance obligations are satisfied);
or
 - (b) Recognizing a liability and an expense on initial recognition.
47. A view based on paragraph 46(a) emphasizes the fact that the resource recipient has an obligation to deliver goods and services to a third party beneficiary, even though the grantor/resource provider does not control the service potential associated with those goods and services. A view based on paragraph 46(b) emphasizes the fact that the grantor/resource provider has entered into an agreement to transfer funds to a resource recipient without receiving any asset in return.
48. If the IPSASB decides that an other resource should be recognized, the PSPOA can be applied to non-exchange transactions involving grants, contributions and other transfers that contain performance obligations. If the IPSASB decides that neither an asset nor an other resource should be recognized, the PSPOA cannot be applied.

Measurement

49. The measurement of an other resource is addressed in paragraph 6.3 of the *Conceptual Framework*:

All items that satisfy the recognition criteria are recognized in the financial statements. In some circumstances, an IPSAS may also specify that, to achieve the objectives of financial reporting, a resource or obligation that does not meet the definition of an element is to be recognized in the financial statements provided it can be measured in a way that meets the qualitative characteristics and constraints. Other resources and other obligations are discussed in Chapter 5, *Elements in Financial Statements*.

50. In order to recognize an other resource, the item must be capable of being measured in a way that achieves the qualitative characteristics and takes account of constraints on information in GPFRs. This is the same test as for an asset, and the issues are the same as those discussed in paragraphs 25–29. Staff consider that, in many cases, the cost of the item will be capable of being measured reliably, and therefore the recognition criteria will be met.

Subsequent Accounting

51. Under the PSPOA, the grantor/resource provider would recognize a non-exchange expense as the resource recipient meets their performance obligations. The other resource would be derecognized as the expense is recognized.

IPSASB Decision #2

52. If the IPSASB disagrees with the staff analysis that the grantor/resource provider should recognize an asset, the IPSASB is asked whether it considers that the grantor/resource provider should:
- (a) Recognize an other resource for the enforceable right have goods or services transferred;
and
 - (b) Derecognize that other resource and recognize an expense as the resource recipient meets their performance obligations

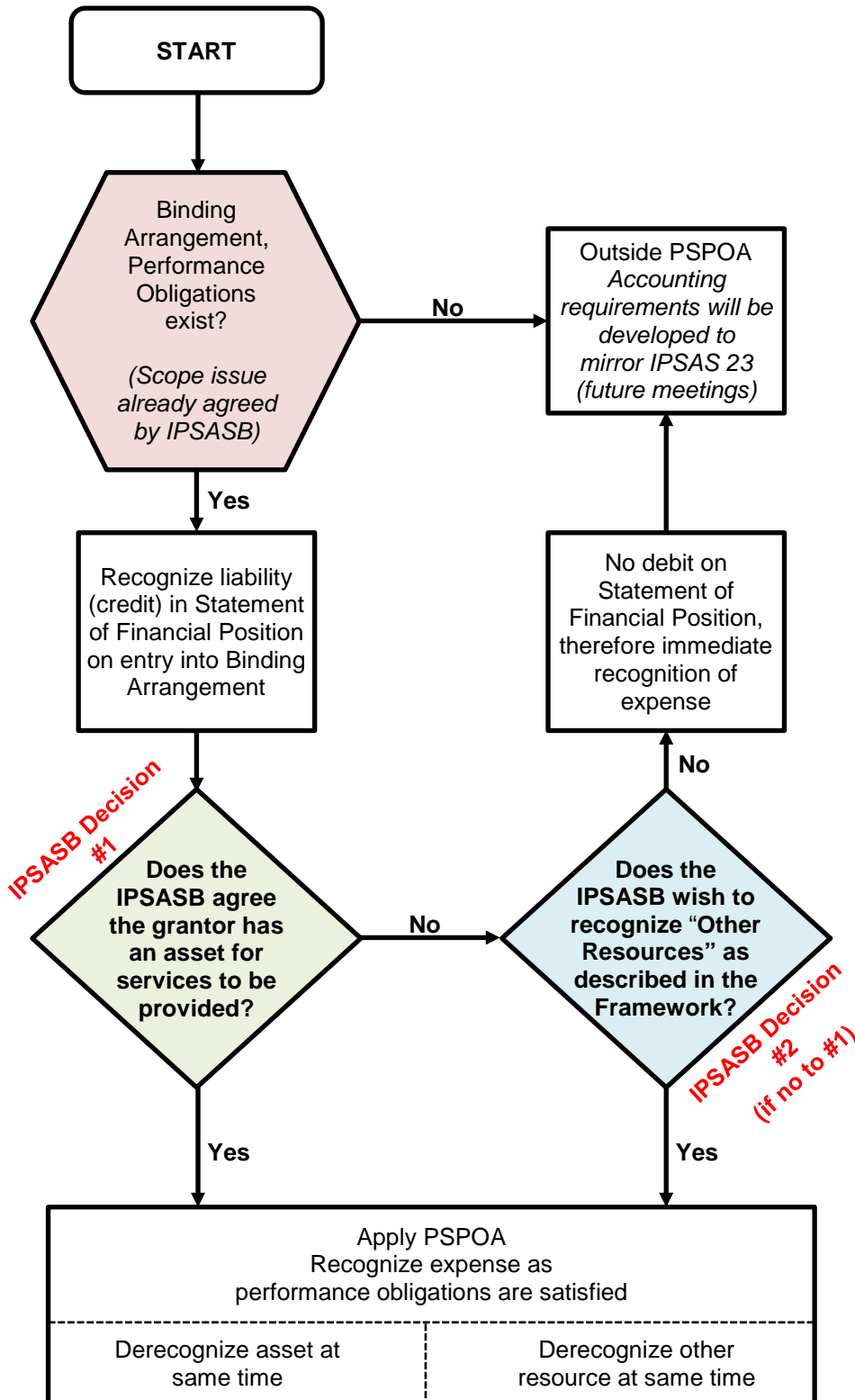
when accounting for grants, contributions and other transfers that contain performance obligations.

53. If the IPSASB does not consider that an other resource should be recognized, an expense would be recognized on initial recognition.
54. [Appendix C](#) to this Agenda Item illustrates the journal entries involved in the three options considered above:
 - (a) The grantor/resource provider recognizes an asset on initial recognition;
 - (b) The grantor/resource provider recognizes an other resource on initial recognition; and
 - (c) The grantor/resource provider recognizes an expense on initial recognition.

Decisions required

55. Does the IPSASB support the staff view that the grantor/resource provider has an asset for services to be provided?
 - (a) If so, does the IPSASB agree with the staff analysis that it is appropriate to adopt the PSPOA for non-exchange expense transactions (grants, contributions and other transfers) that contain performance obligations?
56. If the IPSASB does not support the staff view that the grantor/resource provider has an asset for services to be provided, does the IPSASB wish to recognize “Other Resources” as described in the Conceptual Framework?

Public Sector Performance Obligation Approach: IPSASB Decision Tree



Element Definitions (Extracts from *Conceptual Framework*)

5.6 An asset is:

A resource presently controlled by the entity as a result of a past event.

5.14 A liability is:

A present obligation of the entity for an outflow of resources that results from a past event.

5.27 As explained in paragraph 5.4, in some cases, in developing or revising an IPSAS, the IPSASB may determine that to achieve the objectives of financial reporting a resource or obligation that does not satisfy the definition of an element defined in the Conceptual Framework needs to be recognized in the financial statements. In these cases, the IPSAS may require or allow these resources or obligations to be recognized as other resources or other obligations, which are items additional to the six elements defined in this Framework.

5.28 Net financial position is the difference between assets and liabilities after adding other resources and deducting other obligations recognized in the statement of financial position. Net financial position can be a positive or negative residual amount.

5.29 Revenue is:

Increases in the net financial position of the entity, other than increases arising from ownership contributions.

5.30 Expense is:

Decreases in the net financial position of the entity, other than decreases arising from ownership distributions.

5.33 Ownership contributions are:

Inflows of resources to an entity, contributed by external parties in their capacity as owners, which establish or increase an interest in the net financial position of the entity.

5.34 Ownership distributions are:

Outflows of resources from the entity, distributed to external parties in their capacity as owners, which return or reduce an interest in the net financial position of the entity.

Appendix C to Agenda Item 6.2.3

Journal Entries

Transaction	Option 1 – Recognize Asset	Option 2 – Recognize Other Resource	Option 3 – Recognize Expense (Neither Asset Nor Other Resource)
Initial Recognition	Dr Asset <i>Right to have services delivered</i> Cr Liability <i>Cash grant to be transferred</i>	Dr Other Resource <i>Right to have services delivered</i> Cr Liability <i>Cash grant to be transferred</i>	Dr Expense <i>Grant provided</i> Cr Liability <i>Cash grant to be transferred</i>
Performance Obligations Satisfied	Dr Expense <i>Grant recognized as obligations satisfied</i> Cr Asset <i>Asset derecognized as services delivered</i>	Dr Expense <i>Grant recognized as obligations satisfied</i> Cr Other Resource <i>Other Resource derecognized as services delivered</i>	N/A
Cash Transferred	Dr Liability <i>Liability derecognized as cash transferred</i> Cr Cash <i>Cash transferred</i>	Dr Liability <i>Liability derecognized as cash transferred</i> Cr Cash <i>Cash transferred</i>	Dr Liability <i>Liability derecognized as cash transferred</i> Cr Cash <i>Cash transferred</i>

Exposure Draft 67
[Issued]
Comments due: [Date]

IPSAS®

*Proposed International Public Sector Accounting
Standard®*

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

IPSASB

International Public
Sector Accounting
Standards Board®



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

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

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REQUEST FOR COMMENTS

This Exposure Draft, *Collective and Individual Services and Disaster 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 [DATE].**

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 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.

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

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

Objective

1. The objective of this Exposure Draft is to propose amendments to IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, to provide guidance on accounting for collective and individual services and disaster relief. These transactions were previously encompassed in the wide description of social benefits included in IPSAS 19. 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 disaster relief. Subsequently, the IPSASB decided to provide guidance for these transactions through the amendments proposed in this Exposure Draft
2. This Exposure draft forms part of the IPSASB's project to address non-exchange expenses.

Request for Comments

3. The IPSASB would welcome comments on all the changes proposed in the 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.

IPSAS Addressed

<i>IPSAS Standard</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 disaster relief.

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

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

Paragraphs 111H and AG1–AG28 are added. New text is underlined

...

Effective Date

...

111H. Paragraphs AG1–AG28 were added by [draft] [ED 67], *Collective and individual Services and Disaster 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 amendment for a period beginning before [MM DD, YYYY] it shall disclose that fact and apply IPSAS 42, *Social Benefits*, at the same time.

...

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

Appendix A**Application Guidance**

This Appendix is an integral part of IPSAS 19

Introduction

AG1. This Appendix provides guidance on accounting for collective and individual services, an on accounting for disaster relief. These transactions are non-exchange expense transactions that do not meet the definition of social benefits in IPSAS 42, *Social Benefits* (and are therefore outside the scope of that Standard) but which were previously considered to be social benefits by this Standard. This Appendix addresses the question of whether a provision needs to be recognized for these transactions.

Collective and Individual Services*Scope of collective and individual services*

AG2. Collective services are services provided simultaneously to all members of the community. 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. Examples of collective services include street lighting and defense services.

AG4. Individual services are goods and services, provided to individuals and households by or on behalf of a public sector entity, that are intended to address the needs of society. Public sector entities provide individual services by purchasing goods services from employees or third party providers and delivering those goods or services to individuals or households. The provision of an individual service to one individual may reduce the amount available to other individuals; there is generally rivalry in the consumption of individual services. Consumption of individual services requires the explicit agreement or active participation of those benefiting from the service, for example by attending a clinic or school.

AG5. Examples of individual services include healthcare services and education services.

AG6. The following table illustrates the distinction between social benefits, individual services and collective services.

	<u>Social Benefits</u>	<u>Individual Services</u>	<u>Collective Services</u>
<u>Involves a cash transfer?</u>	<u>✓</u>	<u>✗</u>	<u>✗</u>
<u>Provided to individuals rather than to a community?</u>	<u>✓</u>	<u>✓</u>	<u>✗</u>
<u>Addresses the needs of society?</u>	<u>✓</u>	<u>✓</u>	<u>✓</u>

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

- AG7. 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.
- AG8. 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.

Accounting for collective and individual services

- AG9. In providing both collective services and individual services, a public sector entity incurs expenses and acquires resources through exchange transactions. For collective services, examples include the electricity used in providing street lighting, the salaries paid to acquire the service of defense staff, and the acquisition of non-current assets used in delivering those services. For individual services, examples include the medical supplies used in delivering healthcare, the salaries paid to acquire the services of teachers and the acquisition of non-current assets used in delivering those services.
- AG10. The public sector entity uses these resources to deliver collective services and individual services in non-exchange transactions. The public sector entity may have a number of future obligations relating to the provision of these collective services and individual services. Such obligations are an aspect of the ongoing activities of the public sector entity. However, only present obligations give rise to liabilities. The expected future sacrifice of resources does not of itself give rise to a present obligation. This is because, although beneficiaries may have an expectation that collective services and individual services will be provided, the public sector entity (the resource provider) can vary the level of such services so that the availability of those services may be limited. Consequently, no liability for the non-exchange transaction arises prior to the services being delivered, and the entity only accounts for the use of the resources as it delivers collective services and individual services.
- AG11. The public sector entity may incur liabilities for the purchase of goods or services used in providing collective services and individual services, for example where these goods or services are delivered prior to the entity making payment.
- AG12. As a result, the consumption of the resource recognized through the exchange transaction and the expense recognized through the non-exchange transaction for the provision of collective services occur simultaneously, as these examples demonstrate:
- (a) Consumption of electricity in providing street lighting. In the exchange transaction, the entity acquires a resource (the electricity) and accepts a liability to pay the electricity provider. In the simultaneous non-exchange transaction, the entity consumes the resource (the electricity) and recognizes an expense.
 - (b) Consumption of services provided by defense staff. In the exchange transaction, the entity acquires a resource (the services) and accepts a liability to pay the staff. In the simultaneous non-exchange transaction, the entity consumes the resource (the services) and recognizes an expense.

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

- (c) Consumption of non-current assets. In the exchange transaction, the entity acquires a non-current asset (for example, street lights or aircraft) and accepts a liability to pay the provider. In the non-exchange transaction, the entity consumes the asset over time as it provides collective services; the entity recognizes an expense (depreciation or amortization) to reflect this consumption. The consumption of the asset reflects the provision of collective services, whether this is on a straight line basis (for example, street lights) or on another basis such as usage of the asset (for example, flight hours for aircraft).
- AG13. Where there is a simultaneous acquisition and consumption of a resource, an entity does not separately recognize the simultaneous acquisition and derecognition of the resource. Instead, the entity recognizes an expense for the consumption of the resource used in providing the collective services and individual services. Simultaneously, the entity recognizes a liability (or derecognizes cash where payment is made at the same time).
- AG14. In recognizing an expense and a liability, an entity applies other IPSAS. These include, but are not limited to:
- (a) IPSAS 12, *Inventories*;
 - (b) IPSAS 13, *Leases*;
 - (c) IPSAS 17, *Property, Plant, and Equipment*;
 - (d) IPSAS 31, *Intangible Assets*;
 - (e) IPSAS 32, *Service Concession Arrangements: Grantor*, and
 - (f) IPSAS 39, *Employee Benefits*.
- AG15. Where the provision of a collective service or an individual service gives rise to a provision or contingent liability, an entity applies this Standard.
- AG16. Where there is no specific IPSAS that addresses the transaction, an entity applies the relevant international or national accounting standard dealing with the transaction. Where there is no international or national accounting standard dealing with the transaction, the entity applies the general principles of accrual accounting included in the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*.

Disaster ReliefScope of Disaster Relief

AG17. IPSAS 42 defines social benefits as

"Cash transfers provided directly to:

- (a) Specific individuals and/or households who meet eligibility criteria;
- (b) Mitigate the effect of social risks; and
- (c) Address the needs of society as a whole."

Public sector entities may provide additional cash transfers to individuals and households who have been adversely affected by circumstances that are not related to social risks (as defined in IPSAS 42). Examples include payments made to individuals and households who have been

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displaced or suffered losses due to natural disasters such as flooding, earthquakes, famine and volcanic eruptions.

AG18. These types of cash transfer are outside the scope of IPSAS 42, as they do not address social risks. These payments are referred to in this Appendix as disaster relief. For the purposes of this Appendix, disaster relief encompasses all cash transfers to individuals and households that do not meet the definition of social benefits and which do not impose performance obligations on the recipients. While such payments will generally be as a result of a natural disaster, disaster relief includes all cash transfers to individuals and households that do not meet the definition of social benefits and which do not impose performance obligations on the recipients, whether related to natural disasters or not.

Accounting for Disaster Relief

AG19. The nature of disaster relief means that there is a wide range of options for how disaster relief is provided. However, there are two main scenarios. In the first case, disaster relief is provided to all individuals and households in an affected area. In the second, additional eligibility criteria form part of a disaster relief scheme, limiting the availability of disaster relief. A public sector entity may need to recognize a liability for disaster relief at an earlier point in time where disaster relief is provided to all individuals and households in an affected area compared to where additional eligibility criteria form part of a disaster relief scheme.

AG20. A public sector entity applies paragraphs 22–34 of this Standard in determining whether to recognize a provision for disaster relief.

Example 1

Following a natural disaster, a government passes emergency legislation that requires a government entity to pay a lump sum to all individuals in the affected area. The terms of the legislation give rise to a legal obligation to make payment.

The government entity recognizes a provision. There is a present (legal) obligation as a result of the past event (the enactment of the legislation); it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and, as the approximate population of the affected area is known, a reliable estimate can be made of the amount of the obligation.

Example 2

Following a natural disaster, a government agency makes a specific statement that it will pay a lump sum to all individuals in the affected area, and the agency has an established pattern of past practice of honoring such statements. Individuals in the affected area have a valid expectation that the government agency will make the promised payments, and the agency has little or no alternative to making the payments.

The government entity recognizes a provision. There is a present (constructive) obligation as a result of the past event (the specific statement made by the entity combined with its past practice of honouring such statements); it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and, as the approximate population of the affected area is known, a reliable estimate can be made of the amount of the obligation.

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- AG21. Where a public sector entity recognizes a provision for disaster relief, it measures the provision in accordance with paragraphs 44–62 of this Standard.
- AG22. Changes to a provision for disaster relief are accounted for in accordance with paragraphs 69–70 of this Standard.
- AG23. In other cases, a public sector entity recognizes an expense and a liability (or derecognizes cash) when individuals or households satisfy the eligibility criteria for the disaster relief scheme. An entity shall not recognize an expense for a disaster relief scheme where disaster relief is provided prior to all eligibility criteria being satisfied. Rather, an entity shall recognize a payment in advance in the statement of financial position, unless the amount is irrecoverable, in which case it shall recognize an expense.
- AG24. In these circumstances, submission of, or approval of, a claim for disaster relief may form part of the eligibility criteria for disaster relief.

Example 3

Following a natural disaster, a government establishes a disaster relief scheme where individuals and households will be compensated for losses incurred as a result of the natural disaster where those losses exceed a threshold amount. Before disaster relief will be paid, individuals and households are required to submit a claim, and this claim must be assessed and approved by the government.

Until the claims have been submitted and approved, the government does not have a present obligation. It does not, therefore, recognize a provision.

The government recognizes a liability for disaster relief as individuals and households submit claims and these claims are assessed and approved by the government.

Example 4

Following a crop failure in a particular region, a government establishes a disaster relief scheme where the farming community in that region will be provided with emergency payments to buy food where they have insufficient resources (for example, crops, livestock and cash) to feed themselves. Before disaster relief will be paid, households are required to submit a claim detailing their resources, and this claim must be assessed and approved by the government.

Until the claims have been submitted and approved, the government does not have a present obligation. It does not, therefore, recognize a provision.

The government recognizes a liability for disaster relief as households submit claims and these claims are assessed and approved by the government.

- AG25. An entity shall measure the liability for a disaster relief scheme at the best estimate of the costs that the entity will incur in fulfilling the present obligations represented by the liability. When the liability in respect of a disaster relief scheme is not expected to be settled wholly before twelve months after the end of the reporting period in which the liability is recognized, the liability shall be discounted.
- AG26. The liability for a disaster relief scheme shall be reduced as disaster relief is provided. Any difference between the cost of providing disaster relief and the carrying amount of the liability in

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respect of the disaster relief scheme is recognized in surplus or deficit, in accordance with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.

AG27. Where a liability is discounted in accordance with paragraph AG25, the liability is increased and interest expense recognized in each reporting period until the liability is settled, to reflect the unwinding of the discount.

AG28. The liability shall be reviewed at each reporting date, and adjusted to reflect the current best estimate.

...

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 Disaster 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 referring to “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. IPSAS 19 now excludes from its scope social benefits “within the scope of IPSAS 42” (which only covers cash transfers 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. The transactions that were previously excluded from the scope of IPSAS 19 but which are not within the scope of IPSAS 42 were referred to in the IPSASB’s Consultation Paper (CP), *Accounting for Revenue and Non-Exchange Expenses*, as “collective services” and “universally accessible services.” In that CP, the IPSASB expressed a preliminary view that “non-exchange transactions

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

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 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. This is because although beneficiaries may have an expectation that services will be provided, governments (resource providers) can vary the level of such services so that the availability of those services may be limited. 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 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 IPSAS agreed that, because liabilities or expenses for the provision 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 provision of these services in accordance with other IPSAS. For example, IPSAS 39, *Employee Benefits*, covers the expenses incurred in employing staff to provide these services, and IPSAS 12, *Inventories*, covers the expenses incurred in providing goods to individuals and households.
- BC11. 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.
- BC12. 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 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.

Disaster Relief

- BC13. As noted in paragraph BC6 above, when IPSAS 19 was first issued a wide range of social benefits were excluded from the scope of the Standard. Disaster relief was included in that wide range of social benefits excluded from the scope of IPSAS 19. Following the amendments to IPSAS 19 made by IPSAS 42 (described in paragraph BC7 above), disaster relief is no longer excluded from the scope of IPSAS 19. The IPSASB therefore agreed to provide guidance on accounting for these transactions, in particular addressing the question of whether a provision arose in respect of disaster relief.
- BC14. The IPSASB considered the nature of disaster relief. The IPSASB noted that disaster relief is cash transfers to individuals and households that do not address social risks and which do not impose performance obligations on the recipients. The IPSASB noted that such transfers only differ from

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social benefits in the nature of the risks addressed. In other aspects, these transfers have the same substance as social benefits.

BC15. Consequently, the IPSASB agreed that the past event for required for the recognition of a liability for disaster relief should be the satisfaction by the recipient of the eligibility criteria associated with a disaster relief scheme. This is consistent with the past event for required for the recognition of a liability for social benefits in IPSAS 42.

BC16. The IPSASB noted, however, that the nature of disaster relief is such that it is frequently provided on a one-off basis, and often needs to be provided quickly to ensure immediate needs are addressed. Consequently, governments may decide to provide disaster relief to all individuals and households in an affected area to ensure needs are met, rather than delaying the provision of disaster relief by requiring individuals and households to submit claims, and for these claims to be assessed and approved. In such cases, the only eligibility criterion that beneficiaries need to have satisfied is to have been in the affected area at the time of the event that caused the government to provide disaster relief. This criterion will have been satisfied by the time the government announces or legislates for the provision of disaster relief. In these circumstances, the IPSASB agreed that, as the eligibility criterion will have been satisfied, it is appropriate for entities to apply the requirements of this Standard to determine whether a provision for disaster relief should be recognized.

BC17. The IPSASB considered whether to extend the requirements for disaster relief beyond cash transfers, but concluded that the provision of goods or services in response to events such as natural disasters would be appropriately addressed by the requirements in respect of collective services and individual services (see paragraphs BC6-BC12). Consequently, the IPSASB concluded that no additional requirements were needed, and that limiting the requirements for disaster relief was appropriate.

BC18. The IPSASB considered whether specific disclosures for disaster relief were required. The IPSASB noted that in many cases, disaster 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 and IPSAS 18 would provide sufficient information to meet users' needs. Consequently, the IPSASB agreed not to require any specific disclosures for disaster relief.

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