



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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DATE: OCTOBER 6, 2006
MEMO TO: MEMBERS OF THE IPSASB
FROM: MATTHEW BOHUN
SUBJECT: DRAFT IPSAS XX, "REVENUE FROM NON-EXCHANGE
TRANSACTIONS"

ACTION REQUIRED

The Board is asked to:

- **Review** the summary of respondents' views on ED 29 (Attachment 9.2);
- **Review** review the table of other comments to ED 29 (Attachment 9.3);
- **Review** draft IPSAS XX, "Revenue from Non-Exchange Transactions (Including Taxes and Transfers)"; and
- **Approve** the draft IPSAS for issue with the 2007 Handbook of International Public Sector Pronouncements.

AGENDA MATERIAL:

	Pages
9.2 Table of Respondents' views on ED 29.	9.7 – 9.62
9.3 Table of Other Comments	9.63 – 9.83
9.4 Draft IPSAS XX, "Revenue from Non-Exchange Transactions (Including Taxes and Transfers)" (Marked for changes from the ED)	9.84 – 9.145
9.5 Responses to ED 29 (39 in Total) distributed on the IFAC Leadership Intranet and the IFAC Website.	

BACKGROUND

In 2001, after completing the first phase of the IAS/IFRS convergence program, the then Public Sector Committee (PSC) identified the development of an IPSAS on Revenue from Non-Exchange Transactions as a high priority project. To progress this project it established, in 2002, a Steering Committee to undertake initial research into the issue and to develop an Invitation to Comment (ITC). The ITC was issued in January 2004 with comments requested by June 30, 2004. The PSC and IPSASB reviewed the fifty responses to the ITC in detail and developed ED 29, "Revenue from Non-Exchange Transactions (Including Taxes and Transfers)", which was issued in January 2006, with a request for comments by June 30, 2006. The ED raised fourteen specific matters for comment on a range of issues.

A total of 39 responses have been received on ED 29, these are summarized in the following table:

Question	Agree	Disagree	No Clear View	Total
Overall	32	5	2	39
A (Scope: Entity Combinations)	31	1	7	39
B (Scope: Compulsory Social Sec. Contribs)	30	6	3	39
C (Definitions)	29	4	6	39
D (Distinguish Exchange & Non-exchange)	26	7	6	39
E (Restriction = no liability)	32	1	6	39
F (Recognize Assets when claim enforceable)	34	0	5	39
G (Measure assets at fair value and amend IPSASs 12, 16 & 17)	34	0	5	39
H (Recognize liability in respect of asset transferred subject to condition)	23	10	6	39
I (Measure Liabilities According to the Provisions of IPSAS 19)	32	1	6	39
J (Recognize revenue to the extent a liability not recognized)	34	0	5	39
K (Recognize liabilities in respect of advance receipts)	29	3	7	39
L (Do not permit the netting of expenses paid through the tax system against revenue)	29	4	6	39
M (Permit, but not require, recognition of services in-kind)	19	6	4	39
N (Five Year transitional for Tax Revenue)	25	7	7	39

As the table, and a review of the comments received, indicates, there is broad based support among respondents for issuing the ED as an IPSAS in its current form. There were a few dissenting views that raised issues of importance, however, these were issues that have been debated at length during previous IPSASB, PSC or Steering Committee meetings.

In analyzing the responses, on occasions staff have had to interpret the intent of the respondent. Members should feel free to disagree with staff's interpretation and to point this out during the meeting.

In preparing the draft IPSAS for the IPSASB's review, staff were reluctant to make significant changes, primarily because the overwhelming majority of respondents support the draft in its current form, but also because many of the issues raised were raised by a single respondent and would require significant redrafting and restructuring of the proposed IPSAS, which staff did not think would have the support of the IPSASB, given that the issues have been addressed in previous meetings. In some respects some of the requirements proposed in the draft are compromises, however, staff are of the view that they are necessary compromises to obtain the consensus necessary for the IPSAS to be approved by the IPSASB and receive general acceptance in the financial reporting community.

This memo will focus on the major issues raised by respondents.

ISSUES

Entity Combinations

Respondents agreed to the exclusion of entity combinations that are non-exchange transactions from the scope of the IPSAS. Several respondents recommended that the IPSASB consider entity combinations in the near future. One respondent recommended merger accounting for entities subject to common control. Another respondent considered that entity combinations were an important example of contributions from, and distributions to, owners, and should be considered in the near future. Staff **recommend** that entity combinations that are non-exchange transactions continue to be excluded from the scope of the IPSAS.

Compulsory Contributions to Social Security Schemes

Respondents agreed that compulsory contributions to social security schemes should be included within the scope of the IPSAS. Twelve respondents thought that additional guidance should be provided, whilst eighteen thought that further guidance was unnecessary. Several respondents favored having a separate IPSAS on social security schemes that addresses all aspects of such schemes. Staff **recommend** including social security contributions within the scope, without providing further guidance.

Definitions

Respondents overall were satisfied with the definitions, however, a number of common themes arose. Several respondents thought the definitions of “exchange transactions” and “non-exchange transactions” were unnecessary or too complex and that there should only be one IPSAS that deals with revenue. This issue has been addressed on numerous occasions, and the IPSASB has always concluded that until the IASB completes its revenue project, the IPSASB will need two IPSASs. The definitions of exchange and non-exchange transactions have been debated at length and staff are reluctant to amend these definitions without specific directions from the IPSASB.

Several respondents raised issues over the definitions, or more properly, the conceptual underpinnings of the terms “conditions”, “restrictions” and “stipulations”, arguing that enforceability is unnecessary, or that the terms are too complex. These definitions have been the subject of vigorous debate over the past four years and the IPSASB has previously concluded that enforceability is necessary and that these definitions are appropriate. Staff would note that even where agreements are between reporting entities that are not separate legal entities, an official within the legal entity can normally enforce the agreement between the parties, for example a cabinet minister/secretary.

Staff **recommend** that the definitions remain substantively as they are.

Distinguish Exchange and Non-Exchange Components

Respondents generally agreed with the proposed treatment although several noted that in practice it would be difficult to implement. Those disagreeing with the proposal thought that the transaction should be treated as a non-exchange transaction in its entirety. Several respondents did not think it necessary to distinguish exchange and non-exchange transactions at all, preferring to use the assets and liabilities approach for all transactions.

Staff note that these issues have been considered during the development of the IPSAS. Staff **recommend** that the drafting remain as it is.

Restrictions

The overwhelming majority of respondents support the IPSASB's view that restrictions do not give rise to liabilities, consequently, staff **recommend** retaining the current provisions of the IPSAS.

Recognize Assets when Claim Enforceable

Respondents agreed with the IPSASB's position on the recognition of assets, with a few respondents requesting further guidance. Staff are of the view that more examples tend to add confusion rather than make the issue clearer. Staff **recommend** retaining the drafting in its current form.

Initially Measure Assets at Fair Value and Amend IPSASs 12, 16 & 17

Respondents agreed with the IPSASB's views that assets should initially be measured at fair value, although several requested additional guidance on what constitutes fair value. Staff are of the view that there is sufficient guidance in IPSASs 16 and 17 on what constitutes fair value and that this need not be repeated in this IPSAS. Staff **recommend** retaining the drafting in its current form.

Recognize a Liability in Respect of an Asset Transferred Subject to Conditions

This issue proved to be one of the more controversial in the ED. Of the 33 respondents expressing a clear view, 10 opposed this. They did so because they thought that the definition of a liability should drive the recognition of a liability. The most commonly expressed view was that where the condition imposed a service obligation, a liability should be recognized in respect of that obligation. However, where a condition contained a return obligation, these respondents considered that a liability should be recognized only when the condition was breached and a return was probable. Notwithstanding these objections, the majority of respondents (20 of 33 expressing a clear view) agreed with the current drafting. Staff note that this has probably been the most debated issue in this project from the first meeting of the Steering Committee until the meeting in November 2005 when the ED was approved. Staff are of the view that the current drafting represents the consensus view both of the IPSASB and the respondents and **recommend** retaining the drafting in its current form.

Measure Liabilities According to the Provisions of IPSAS 19

Respondents supported the IPSASB's view on the measurement of liabilities. Staff **recommend** retaining the drafting in its current form.

Recognize Revenue to the Extent a Liability not Recognized

Respondents supported the IPSASB's view on the recognition of revenue. Most respondents could not identify any examples where it would be appropriate to recognize an asset and revenue, and a liability and an expense, a few noted that expenses paid through the tax system would be the only example they could envisage. Staff **recommend** retaining the drafting in its current form.

Recognize Liabilities in Respect of Advance Receipts

Most respondents agreed supported the IPSASB's view on the recognition of liabilities in respect of advance receipts. Several respondents argued against this proposition, one argument was that the entity controls the cash and that the taxpayer only had a right of set off against future tax liabilities, another argument was that this represents an earnings approach to revenue recognition. Staff **recommend** retaining the drafting in its current form.

Prohibit the Netting of Expenses Paid Through the Tax System against Revenue

Most respondents agreed with the IPSASB's views on this issue. Some respondents argued that these would be difficult to identify, or that the OECD's guidelines should be followed. Staff **recommend** retaining the drafting in its current form.

Permit, but not Require, Recognition of Services In-kind

This issue was the most controversial proposition in the proposed IPSAS. Most respondents expressing a clear view supported the IPSASB's view, however, a sizeable minority thought that the IPSASB should not permit entities an option to recognize, but either require or prohibit recognition. Given the vivacity of the debate in both the Steering Committee and past IPSASB/PSC meetings, this is not surprising. Staff are of the view that the current proposal should remain as it was the only way the IPSASB could achieve consensus and publish an ED. This should not prevent the IPSASB from reviewing this decision in due course. One respondent offered a compromise, which would have entities recognize those services provided by individuals or other entities in the course of their normal trade, profession or business, but not other volunteer services.

Staff **recommend** retaining the drafting (corrected for errors) in its current form.

Five Year Transitional Period for Tax Revenue

Most respondents agreed with the IPSASB's decision to provide a five-year transitional provision for taxation revenue, although a number thought that the transitional provisions should be extended to all revenue. Several respondents, including some with experience in implementing accrual accounting standards, considered the five-year period excessive and argued that it should be reduced to no more than three years. Staff **recommend** retaining the drafting in its current form.

Other Issues

Several respondents argued in favor of reintroducing some kind of timing requirements, particularly in respect of multi-year grant agreements. Other respondents noted that when they introduced accrual accounting they needed to adjust their financial management procedures because their financial statements would be adversely affected by the existing financial management procedures. Staff do not recommend revisiting the timing requirements issue as it was debated extensively and ultimately rejected by the IPSASB.

RECOMMENDATION

Staff recommends that the IPSASB agree, to issuing the attached draft IPSAS XX, as amended with the 2007 Handbook of International Public Sector Pronouncements, with an

effective date as determined by the IPSASB. The individual IPSASs may be made available on the IFAC website prior to the publication of the 2007 Handbook.

A handwritten signature in black ink that reads "Matthew Bohun". The signature is written in a cursive, flowing style.

Matthew Bohun
TECHNICAL MANAGER

**ATTACHMENT 1 – SUMMARY OF RESPONDENTS’ VIEWS ON ED 29
REVENUE FROM NON-EXCHANGE TRANSACTIONS (INCLUDING TAXES
AND TRANSFERS)**

SUMMARY OF OVERALL VIEW

SUPPORT	A	32
DOES NOT SUPPORT	B	5
NO CLEAR VIEW	C	2
TOTAL		39

	NAME	VIEW	RESPONDENT COMMENT
1	Australasian Council of Auditors General (ACAG)	A	
2	Comptroller & Auditor General of Bangladesh (CAGB)	A	
3	Mohammed Osman Medani & Co (Sudan) (MOMC)	A	
4	Commonwealth Dept. Finance and Administration (Australia) (DOFA)	B	DOFA considers that additional conceptual work needs to be undertaken on the proposed standard. We note that Australian public sector reporting is considerably more advance in some aspects than other countries applying IPSASs. However, DOFA does not necessarily believe that they can meet all the requirements of the proposed IPSAS, and therefore have concerns over its practical application by other countries. DOFA does not support its release as a standard without further revision and consultation with constituents.
5	Heads of Treasury Accounting and Reporting Advisory Committee (Australia) (HoTARAC)	B	HoTARAC disagrees with the fundamental principle in ED 29 that a grant with an in-substance condition gives rise to a liability on initial recognition. HoTARAC supports the alternate view that a liability only arises when it is probable that the condition will be breached. HoTARAC also views time as a separate criteria or dimension of a condition.
6	Queensland Treasury	A	

	NAME	VIEW	RESPONDENT COMMENT
	(Australia) (QLDT)		
7	Québec Contrôleur Des Finances (Canada) (QCDF)	A	In general, QCDF support the proposals in the ED. However, considering the specific management context of governments, QCDF is of the view that the asset/liability approach should not set aside the temporal notion of non-exchange transactions and that special provisions be included in the IPSAS such that recognition of revenue from multi-year grants be spread over the expected length of utilization of the transferred resources. Similarly when a transfer is in the form of a depreciable asset, the recognition of the revenue should be recognized at the same rate as the asset's utilization.
8	Treasury Board Secretariat (Canada) (TBSC)	A	TBSC would like to point out that this is a large and wide ranging document and would encourage the IPSASB, in the future, to issue more focused exposure drafts for comment.
9	Ministère de l'Economie, des Finances et de l'Industrie (France) (MinEFI)	A	MinEFI supports the views expressed in the ED with the exception of question (I). However, MinEFI believes more guidance is necessary as the ED raises a number of conceptual issues, the consequences of which are not dealt with in the document. MinEFI would support the development of a further project to address these conceptual issues (e.g. the conceptual framework project). Revenue from non-exchange transactions should be treated as a separate class of revenue in IPSAS 1.
10	Hong Kong Treasury (HKT)	C	
11	Inland Revenue Department (New Zealand) (IRDNZ)	A	IRDNZ generally considers that the proposed requirements are appropriate conceptually. IRDNZ does, however, have some areas of concern. In particular, IRDNZ considers that the proposed IPSAS contains some significant inconsistencies which we found confusing and in places contradictory, the proposed IPSAS is not sufficiently clear and as a result is open to a wide range of interpretation.
12	New Zealand Treasury (NZT)	A	NZT consider the proposed requirements to be broadly appropriate and well founded conceptually. However, there is an area of concern: there are three different proposed accounting treatments for exchange transactions,

	NAME	VIEW	RESPONDENT COMMENT
			non-exchange transactions with conditions and non-exchange transactions without conditions. The boundaries between these three categories are both blurred and are unhelpful for those analyzing financial statements of recipients of non-exchange transactions. NZT urges IPSASB to seek a more integrated approach.
13	National Financial Management Authority (Sweden) (ESV)	A	Some clarifications are needed to et a uniform application of a future IPSAS. For some transactions it is difficult to distinguish whether it is exchange or non-exchange revenue. ESV suggests that IPSASB develop a joint standard for all revenue because the principles of recognition and measurement of revenues should be the same for exchange and non-exchange.
14	Swiss Finance Ministers (SwFM)	A	
15	Charities Commission (United Kingdom) (CCUK)	A	
16	CPA Australia (CPAA)	A	CPAA is concerned that the approach articulated in the draft IPSAS is not consistent with the definition of a liability and is not consistent with the current thinking of the IASB as articulated in paragraph BC11 of ED “Proposed Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets”, which notes that the IASB tentatively concluded that liabilities arising from contracts derive only from unconditional obligations, and not from conditional obligations. This is because a conditional obligation that may result in an outflow is not a present obligation, although it may point to the existence of an accompanying unconditional obligation. CPAA would expect the Basis for Conclusions to note the IPSASB’s public sector specific reason for divergence in approach fro the definition of a liability and the current thinking of the IASB.
17	Institute of Chartered Accountants in Australia (ICAA)	A	
18	Canadian Institute	A	CICA is of the view that:

	NAME	VIEW	RESPONDENT COMMENT
	of Chartered Accountants (CICA)		<ul style="list-style-type: none"> • An explicit statement about the assets/liabilities method needs to be reinstated. • The IPSASB should clarify the meaning of “probable” and “expected”. • The IPSASB should clarify whether contributions from owners are exchange or non-exchange transactions. • The IPSASB should clarify what aspect of the condition creates a liability for the recipient and specify who the liability is to – the transferor or the ultimate beneficiaries of the goods/services to be provided with the transferred resources or another entity. • CICA does not agree that a condition will always give rise to a liability for the transfer recipient. • CICA do not think “advance receipts” satisfy the definition of a liability. • CICA do not think probability should be used as a measurement principle, and that paragraph 68 should be modified accordingly.
19	Institut Der Wirtschaftsprüfer (Germany) (IDW)	A	IDW notes that the IASB is revising IAS 20 and in doing so has noted the proposals in the previous ITC are based on principles that are consistent with the IASB’s Framework. However, if the IASB adopts a divergent approach in its revision of IAS 20, IDW would ask the IPSASB to reconsider this IPSAS to ensure as it favors a consistent accounting treatment of grants in both IFRS and IPSAS.
20	Consiglio Nazionale Dottori Commercialisti & Consiglio Nazionale Ragionieri (CND C & CNR) (Italy)	A	
21	Japanese Institute of Certified Public Accountants (JICPA)	A	
22	Den Norske Revisorforening (Norway) (DnR)	A	Based on DnR’s experience working with the Norwegian government, using “equity” as a name of net assets creates discussions. It may be worth

	NAME	VIEW	RESPONDENT COMMENT
			considering replacing “equity” with “entity capital” or “entity net capital”.
23	New Zealand Institute of Chartered Accountants (NZICA)	B	NZICA’s FRSB agrees that the recognition of assets and liabilities should determine the recognition of revenue. Moreover, the NZICA believes that if this approach is adopted the distinction between revenue from exchange and non-exchange transactions is unnecessary. The real test of the proposed IPSAS will be whether the guidance it provides enables professional judgments on these questions to be made consistently. NZICA consider further work is necessary to achieve this.
24	Institute of Cost and Management Accountants of Pakistan (ICMAP)	A	
25	National Board of Auditors and Accountants (Tanzania) (NBAA)	A	
26	Association of Chartered Certified Accountants (United Kingdom) (ACCA)	A	ACCA believes that the recognition point for tax revenue should be when the tax is due for payment.
27	Chartered Institute for Public Finance and Accountancy (United Kingdom) (CIPFA)	A	
28	Institute of Chartered Accountants of England and Wales (United Kingdom) (ICAEW)	A	
29	Institute of Chartered	B	The IPSAS is complex and as such ICAS appreciate the need to provide illustrative

	NAME	VIEW	RESPONDENT COMMENT
	Accountants of Scotland (ICAS)		<p>examples. However, ICAS believes that for the IPSAS to be workable it will need to be restructured. ICAS recommends that examples be removed from the text and included as IG if appropriate; consideration be given to cross-referencing the text of the IPSAS to relevant illustrative examples; and the proposed IPSAS is then reviewed to ensure that the material which remains is sufficiently clear to enable practitioners to apply the IPSAS to their individual circumstances.</p> <p>ICAS recommends that the paragraphs dealing with the presentational aspects of transactions be corralled under the heading “Presentation”.</p>
30	Johan Chistiaens (Belgium) (JB)	C	JB questions whether the IASB Framework is appropriate for this issue.
31	Jean-Bernard Mattret (France) (J-BM)	A	
32	Fédération des Experts Comptables Européens (FEE)	A	
33	National Housing Federation (United Kingdom) (NHF)	A	
34	Association of Government Accountants (United States of America) (AGA)	A	
35	Australian Accounting Standards Board (AASB)	A	The AASB has some significant concerns – refer to comments on questions c, e and k.
36	Accounting Standards Board (South Africa) (ASBSA)	B	The ASBSA is concerned that the drafting is leaning towards rule-based standards when applying the principles, ASBSA suggest some redrafting is necessary to return to the principles based approach. ASBSA is of the view that this IPSAS should not be finalized until a review of IPSAS 19 has been undertaken to take up the recent revisions to IAS 37.

	NAME	VIEW	RESPONDENT COMMENT
37	Accounting Standards Board (United Kingdom) (ASBUK)	A	
38	Governmental Accounting Standards Board (United States of America) (GASB)	A	
39	Financial Reporting Advisory Board (United Kingdom) (FRAB)	A	

SPECIFIC MATTER FOR COMMENT (a)

Do you agree with the proposal to exclude entity combinations that are non-exchange transactions from the scope of the standard?

Agree	A	31
Disagree	B	1
No clear view expressed	C	7
TOTAL		39

	NAME	VIEW	RESPONDENT COMMENT
1	ACAG	A	
2	CAGB	C	
3	MOMC	A	
4	DOFA	C	
5	HoTARAC	A	HoTARAC believes that the IPSAS should also exclude from its scope, contributions from, and distributions to, owners. Entity combinations that are non-exchange transactions are an important example of contributions from owners.
6	QLDT	A	QLDT support the exclusion of entity combinations, but believes that entity combinations that are non-exchange transactions should be addressed in an appropriate standard.
7	QCDF	A	
8	TBSC	A	
9	MinEFI	C	The IPSAS excludes these, but does not provide any guidance on how, or according to which standards, these transactions should be treated.
10	HKT	C	
11	IRDNZ	A	IRDNZ encourages the IPSASB to address entity combinations soon as this standard may, by default become the standard most often used for combinations that are non-exchange transactions.
12	NZT	A	NZT observes that, in the absence of an IPSAS dealing with acquisitions, this standard may by default become the standard that is most often used for combinations that are non-exchange transactions. NZT sees no great harm from this occurring.
13	ESV	A	

	NAME	VIEW	RESPONDENT COMMENT
14	SwFM	A	
15	CCUK	A	The omission of entity combinations is a significant shortcoming and needs to be addressed in the context of IPSASB's work in development of standards. CCUK supports the use of merger accounting for public sector restructurings where entities are combined without consideration.
16	CPAA	A	IFRS 3 "Business Combinations" does not apply to business combinations involving entities under common control – accordingly, for profit entities have a variety of choices. CPAA considers it appropriate that those entities subject to the IPSAS have the same variety of choices. CPAA encourages the IPSASB to work with the IASB to specify the required accounting for entity combinations involving entities under common control.
17	ICAA	A	
18	CICA	A	
19	IDW	A	
20	CNDC & CNR	A	It is necessary to precisely define when an entity combination may be considered a non-exchange transaction.
21	JICPA	A	JICPA consider further study is necessary on the nature of entity combinations in the public sector. Therefore, at present it is appropriate not to establish principles on those transactions.
22	DnR	A	
23	NZICA	A	NZICA encourages the IPSASB to consider entity combinations as soon as possible.
24	ICMAP	C	
25	NBAA	A	
26	ACCA	A	
27	CIPFA	A	
28	ICAEW	A	ICAEW suggest that IPSASB only consider entity combinations when the results of the IASB's Business Combinations project are known. ICAEW would emphasize retaining some form of merger accounting when developing its proposals for entity combinations.
29	ICAS	C	ICAS does not understand what is meant by an "entity combination which is a non-exchange

	NAME	VIEW	RESPONDENT COMMENT
			transaction”. The term “entity combination” should be defined in paragraph 7 or 8 as appropriate.
30	JB	C	
31	J-BM	A	
32	FEE	A	
33	NHF	A	
34	AGA	A	
35	AASB	A	
36	ASBSA	B	ASBSA believe that the exclusion should be expanded to encompass all entity combinations.
37	ASBUK	A	
38	GASB	A	GASB has the entity combination issue identified as a potential future project.
39	FRAB	A	

SPECIFIC MATTER FOR COMMENT (b)

Do you agree with the proposal to include within the scope of the IPSAS compulsory contributions to social security schemes (e.g. health and disability insurance, aged pensions) which are in the nature of non-exchange transactions? In particular:

- (i) Do you think that these compulsory contributions to social security schemes should be explicitly excluded from the scope?
- (ii) Do you think that the ED gives enough guidance in respect of such compulsory contributions? If not, do you think the IPSAS should explicitly address these compulsory contributions and provide specific guidance to assist entities determine to what extent such contributions should be considered as exchange transactions? (See paragraph BC27)

Agree	A	30
Disagree	B	6
No clear view expressed	C	3
TOTAL		39

	NAME	VIEW	RESPONDENT COMMENT
1	ACAG	A	Support including compulsory non-exchange contributions, but do not consider there to be sufficient guidance.
2	CAGB	C	
3	MOMC	A	MOMC is of the view that the IPSAS should explicitly address these compulsory contributions and provide specific guidance to assist entities determine to what extent such contributions should be considered as exchange transactions.
4	DOFA	C	
5	HoTARAC	B	HoTARAC believes that compulsory contributions to social security schemes should be explicitly excluded from the scope of the IPSAS and addressed in the context of social policy obligations. HoTARAC believes that the IPSAS should address both revenues and expenses arising from non-exchange transactions, excluding social policy obligations) to ensure symmetry in treatment between grantors and grantees. HoTARAC believes that the title of the IPSAS should explicitly include “grants, taxes, fines and donations”.
6	QLDT	B	QLDT supports the exclusion of such transactions on the basis that they would be better dealt with as part of the IPSASB’s project on “Social Policy Obligations”

	NAME	VIEW	RESPONDENT COMMENT
7	QCDF	A	QCDF is of the view that compulsory contributions to social security programs should not be explicitly excluded from the scope of the IPSAS. QCDF believes that the IPSAS, which is based on broad conceptual grounds, provides sufficient guidance for entities in treating such contributions.
8	TBSC	A	TBSC is supportive of including compulsory contributions to social security schemes within the scope of this standard, TBSC believe that such items should be explicitly addressed and as such, current guidance is not sufficient.
9	MinEFI	A	The treatment of these contributions should be consistent with the definition of non-exchange transactions. The ED does not give enough guidance on how to deal with these transactions. In MinEFI's view, such contributions may not be simply classified into the categories of exchange or non-exchange transactions.
10	HKT	C	
11	IRDNZ	A	Further guidance would not be appropriate.
12	NZT	A	Given the range of possible schemes, further specific guidance could be counter-productive.
13	ESV	A	ESV thinks that compulsory contributions to social security schemes should be included in a future standard. These contributions can be both exchange and non-exchange. If they are non-exchange assets and liabilities, they should be recognized in accordance with the principles in this ED.
14	SwFM	A	SwFM supports the development of a separate standard addressing compulsory contributions to social security schemes.
15	CCUK	C	
16	CPAA	A	Nothing has come to CPAA's attention that would require the inclusion of specific advice.
17	ICAA	A	ICAA is of the opinion that the IPSAS should explicitly address the issue of compulsory social security contributions to enable entities to determine on a consistent basis to what extent such contributions should be considered as exchange transactions.
18	CICA	A	No need for further guidance.

	NAME	VIEW	RESPONDENT COMMENT
19	IDW	A	Further guidance on the treatment of social security contributions should be included before the IPSAS is finalized, although it may be too early to do so, given that the project on Social Policy Obligations is incomplete.
20	CNDC & CNR	A	Further guidance not necessary.
21	JICPA	A	Further guidance is not necessary.
22	DnR	A	No further guidance in this IPSAS. IF the matter is very complex, it should be addressed in a separated standard.
23	NZICA	A	NZICA agree that more explicit guidance is not appropriate.
24	ICMAP	C	
25	NBAA	A	Further guidance is not appropriate.
26	ACCA	A	ACCA believe it would be helpful to provide additional guidance on the recognition of this type of revenue.
27	CIPFA	A	ED gives sufficient guidance.
28	ICAEW	A	ICAEW think it would be helpful if the IPSAS specifically addressed these contributions.
29	ICAS	A	A definition of “compulsory contributions” should be included in paragraph 8.
30	JB	C	
31	J-BM	A	Explicit guidance should be provided.
32	FEE	A	It would be useful if the IPSAS could contain some worked examples to demonstrate how a principled approach will determine whether such compulsory contributions represent exchange transactions or non-exchange transactions.
33	NHF	A	NHF accepts that it is not feasible to provide more detailed guidance within the proposed IPSAS.
34	AGA	A	Specific guidance should be provided.
35	AASB	A	AASB does not think guidance should be included in the IPSAS.
36	ASBSA	A	ASBSA believe a single standard should deal with non-exchange revenue and a separate standard should address exchange revenue, with the ultimate objective of eliminating the distinction between exchange and non-exchange. In particular, guidance should be given on the nature of compulsory contributions, the indicators to

	NAME	VIEW	RESPONDENT COMMENT
			assess whether or not the contributions are exchange or non-exchange, and if these transactions are exchange, for example in the nature of insurance premiums, what guidance should be used to account for these transactions.
37	ASBUK	A	Agree that it is not feasible to provide more guidance on social security contributions.
38	GASB	B	GASB believe that compulsory contributions to social security plans should be excluded from the scope of the documents. Constituents should not be required to analyze multiple standards to determine proper accounting for social security plans. GASB believe it would be beneficial if a single standard addressed both asset (revenue) and liability (expense) issues associated with social security plans. If the IPSASB chooses to include compulsory contributions to social security schemes in the final non-exchange revenue standards, GASB believe that the guidance provided in the ED is adequate.
39	FRAB	A	FRAB believes that compulsory contributions to social security schemes should be explicitly included in the scope of the exposure draft. FRAB believes the guidance provided in the ED is sufficient.

SPECIFIC MATTER FOR COMMENT (c)

Do you agree with the proposal to define terms as set out in paragraph 8? These definitions have been developed by the IPSASB for this IPSAS. Please identify any amendments to the definitions that you consider necessary.

Agree	A	29
Disagree	B	4
No clear view expressed	C	6
TOTAL		39

	NAME	VIEW	RESPONDENT COMMENT
1	ACAG	A	Further consideration on the definition of “revenue” is required because IASB and AASB frameworks use the term “income” instead, with revenue being a sub-set of income.
2	CAGB	C	
3	MOMC	A	MOMC is of the view that the definitions of “Restrictions on transferred assets” and “Stipulations on Transferred Assets” should be amended (see table of other comments paragraph 7).
4	DOFA	C	
5	HoTARAC	B	The definition of “non-exchange transactions” used in the ED is problematic and requires additional guidance. The ED adopts a similar definition to that used in Australia for “non-reciprocal transfers”. This definition has caused problems in Australia and has, in part, led to the current review of this area. This is because of difficulties in distinguishing between reciprocal and non-reciprocal transfers.
6	QLDT	A	In relation to the definition of “non-exchange transactions” QLDT notes that the concept of parties not “directly” giving or receiving “approximately equal value in exchange” has caused a number of application issues in Australia in relation to “reciprocal” versus “non-reciprocal” transactions. Additional guidance is recommended in relation to determining “approximately equal value”.
7	QCDF	A	The term “fines” is not sufficiently important to be explicitly defined in this section, especially since the definition is repeated in paragraph 89.
8	TBSC	C	TBSC has no comments on the definitions.

	NAME	VIEW	RESPONDENT COMMENT
9	MinEFI	A	The term “transaction” is not defined, and such a definition would help apply the IPSAS. E.g. in statistical manuals, a transaction is defined by an interaction between two institutional units that take place by mutual agreement. All flows do not systematically receive the “transaction” qualification but have to be recognized.
10	HKT	C	
11	IRDNZ	A	The definition of exchange and non-exchange are arbitrary. The definition of revenue is slightly different to the definition in IAS 18; IRDNZ is of the view that they should be consistent. There is some inconsistency between the definitions of “taxes” and “expenses paid through the tax system” to similar terms in statistical manuals. Recommend that the terms “rebates” and “tax credits” be used instead.
12	NZT	A	NZT has difficulty with the arbitrary nature of the exchange and non-exchange definitions. NZT also notes differences in definitions between those used by GFS and the IPSASB for “taxes” and “expenses paid through the tax system” (tax credits in GFSM 2001). Given that a significant group of users will be macroeconomists, NZT consider it would be beneficial if the same definition is used.
13	ESV	A	Consider that the definition of “Contributions from Owners” should be revisited. Definition of “expenses paid through the tax system” needs further elaboration.
14	SwFM	A	The distinction between non-exchange and exchange transactions is not always clear and the definition provides little guidance in those unclear cases. A more specific definition could assist in such cases.
15	CCUK	A	CCUK believe that the draft would be clearer if the distinction between the terms applying to transfers was limited simply to restrictions and conditions.
16	CPAA	A	CPAA thinks the definition of ‘non-exchange’ transactions would be improved by the inclusion of the words “that entity so that the definition is “Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange <u>to that entity</u> , or gives value to another entity without

	NAME	VIEW	RESPONDENT COMMENT
			directly receiving approximately equal value in exchange <u>from that entity</u> .
17	ICAA	A	Some of the definitions are not identical to those used in the IFRS; there should be consistency between these standards.
18	CICA	B	CICA does not agree with the accounting that is set out in ED 29, which follows from the distinctions between the restrictions and conditions definitions. CICA also has an issue with the definition of “control of an asset” which seems to broaden the idea of the benefit inherent in an asset to include not only future economic benefits in the form of future net cash inflows or future service potential, but also include spending where the government benefits from the spending in pursuit of its objectives.
19	IDW	A	The IPSASB should clarify the terms “consumed” and “used” in the definitions of condition, restriction and stipulation. If the different words have different meanings, this should be clarified. It may be useful to modify example 11 in the Implementation Guidance in connections with this.
20	CNDC & CNR	A	CNDC & CNR believe that the definition of “non-exchange transaction” should be amended as follows: “... In a non-exchange transaction, an entity either receives value from another entity without directly giving a <u>reciprocal and</u> approximately equal value in exchange, or gives value to another entity without directly receiving a <u>reciprocal and</u> approximately equal value in exchange.
21	JICPA	A	
22	DnR	A	Non-exchange is defined as a residual, DnR suggests including examples of non-exchange transactions. DnR suggest considering a more detailed definition of conditions, e.g. try to give specific/detailed conditions.
23	NZICA	A	The definition of “condition” is problematic in that it has both a performance and a return obligation. NZICA believe that these two should ideas should be separated. Liabilities could arise in respect of either or both of these. The definition of “control of an asset” is circular, in that the word control appears in both the term and the definition. NZICA

	NAME	VIEW	RESPONDENT COMMENT
			do not believe this term is necessary.
24	ICMAP	C	
25	NBAA	A	NBAA suggest revisiting the term “expenses paid through the tax system” since the definition does not clearly bring out the intended meaning; also there is need to revisit the definition of the term “tax expenses”.
26	ACCA	A	
27	CIPFA	A	CIPFA notes that detailed interpretation may vary, and that “fair value” has been subject to different interpretations in different jurisdictions.
28	ICAEW	A	
29	ICAS	B	ICAS believe the following terms should be defined in a manner consistent with the IFRSs: “substance over form”, “probable”, “measurement”, “obligation” and “forgivable debts”. ICAS believes that the definitions of “non-exchange transactions”; “stipulations on transferred assets” and “transfers” need modification. (See table of other comments.)
30	JB	C	
31	J-BM	A	Add a definition of “contributions to social security schemes”. Include the recognition criteria for liabilities in the definition of “provisions”.
32	FEE	A	Fair value has been subject to different interpretations in different jurisdictions.
33	NHF	A	Some of the terminology is confusing and further definition of some terms, such as tax expenditures, would be helpful.
34	AGA	A	
35	AASB	B	AASB considers that the definition “conditions on a transferred asset” is used inconsistently, and that this definition is problematic. AASB think the definitions of “exchange transactions” and “non-exchange transactions” should be amended to clarify that approximately equal value in exchange is, or is not, respectively, given to the other party to the transaction. AASB considers that there is circularity in the definition of “control of an asset” and that it should be redefined as “control of resources”.
36	ASBSA	A	As the intention is to apply some of the concepts of IPSAS 9, consequential amendments to the

	NAME	VIEW	RESPONDENT COMMENT
			definitions in IPSAS 9 are needed. ASBSA suggest deleting the definitions “conditions on transferred assets”, “restrictions on transferred assets” and “stipulations on transferred assets”. (See table of other comments.)
37	ASBUK	A	ASBUK would suggest that IPSASB consider further the terminology used and definitions provided for “tax expenses” and “tax expenditures”. The wording currently used in the ED is very confusing.
38	GASB	A	The definitions of assets, liabilities and revenue included in this standard should not preclude the exploration of alternative definitions as part of the elements of financial statements component of the conceptual framework project.
39	FRAB	A	FRAB is content with the definitions except for those relating to “tax expenditure” and “expenses paid through the tax system” which FRAB believes are so similar as to be confusing.

SPECIFIC MATTER FOR COMMENT (d)

Do you agree with the proposal to distinguish exchange and non-exchange components of non-exchange transactions? Paragraphs 11 and 12 note that these transactions may comprise two components, one of which is an exchange transaction, each component of which is recognized separately.

Agree	A	26
Disagree	B	7
No clear view expressed	C	6
TOTAL		39

	NAME	VIEW	RESPONDENT COMMENT
1	ACAG	A	The guidance in paragraphs 11, 12, and 44 is too vague on how to recognize the two components. Whilst IG30 explains it, however it is more appropriate to outline the principles within paragraph 44.
2	CAGB	C	
3	MOMC	A	
4	DOFA	C	
5	HoTARAC	A	HoTARAC believes the existing guidance within the ED should be expanded to provide guidance in situations where the transaction cannot be readily split into an exchange and non-exchange component.
6	QLDT	A	QLDT supports the separate recognition of the exchange and non-exchange components of a transaction, however, recognizes that this may be difficult in practice.
7	QCDF	A	
8	TBSC	A	Whilst TBSC agrees with the concept that non-exchange transactions may indeed include two components, TBSC has concerns regarding the application of a consistent methodology to split the components of the transactions and are of the view that the language in paragraph 12 is sufficient to address these situations.
9	MinEFI	A	MinEFI agrees to the proposal to the extent that a transaction can clearly be divided into two components, which are distinct by nature. In practice, the decision to recognize one or two transactions will be made through the exercise of professional judgment.

	NAME	VIEW	RESPONDENT COMMENT
10	HKT	C	
11	IRDNZ	B	IRDNZ is concerned that the term “directly” is too malleable and may lead to confusion and inconsistent application. IRDNZ consider that an integrated approach is easier to apply without having to rely on an arbitrary distinction to determine the accounting treatment.
12	NZT	B	NZT considers the distinction between non-exchange and exchange revenue unhelpful and unnecessary for accounting purposes. The critical issue is whether or not the transaction has created an obligation, constructive or otherwise. If IPSASB consider it necessary to require different treatments for exchange and non-exchange then in the case of a mixed transaction, NZT would suggest that the rules in ED 29 should apply as they are conceptually superior, they do not require arbitrary componentization and are likely to result in a more understandable set of financial statements for users.
13	ESV	B	Disagree that it is necessary to distinguish components.
14	SwFM	A	
15	CCUK	B	Whilst the logic of viewing a transaction as potentially mixed has theoretical merit, this concept does not translate well to tax law in the UK where a transaction is deemed to have a single character for the assessment for tax purposes. Therefore there would be no mixed transaction but two separate transactions.
16	CPAA	A	
17	ICAA	A	
18	CICA	A	
19	IDW	A	
20	CNDC & CNR	A	In practice it may be preferable to adopt a “prevalence” approach where the dominant form drives the recognition, with disclosure of the reasons for the choice.
21	JICPA	A	
22	DnR	A	
23	NZICA	B	NZICA believe that if the assets and liabilities approach is adopted the distinction between exchange and non-exchange is unnecessary.

	NAME	VIEW	RESPONDENT COMMENT
			Focusing on the existence of a liability at initial recognition will address the issues around accounting for compound transactions.
24	ICMAP	C	
25	NBAA	A	
26	ACCA	B	In most cases payments which are made as part of a non-exchange contract are more in the nature of a tax than a payment in exchange for goods or services. Thus ACCA do not consider that this aspect of the transactions should be treated as an exchange transaction. Rather the two aspects of the transaction should be accounted for as two separate non-exchange contracts.
27	CIPFA	A	
28	ICAEW	A	
29	ICAS	A	
30	JB	C	
31	J-BM	A	
32	FEE	A	
33	NHF	A	
34	AGA	A	Specific examples for recording need to be included.
35	AASB	C	AASB members were divided as to whether entities should apply IPSAS 9 to non-exchange revenue, or the principles in the ED.
36	ASBSA	A	ASBSA believe the order of paragraphs 11 and 12 need to be swapped.
37	ASBUK	A	ASBUK recognize the practical difficulties in applying this principle.
38	GASB	B	GASB believe that transactions that meet the definition of non-exchange transactions should not be bifurcated.
39	FRAB	A	FRAB acknowledges that in theory the components should be recognized separately but questions whether this approach is sustainable in practice.

SPECIFIC MATTER FOR COMMENT (e)

Do you agree with the proposal to include guidance to clarify that restrictions do not give rise to the recognition of a liability on initial recognition of the transferred asset (paragraph 20). Do you agree that restrictions do not give rise to liabilities on initial recognition of the transferred asset?

Agree	A	32
Disagree	B	1
No clear view expressed	C	6
TOTAL		39

	NAME	VIEW	RESPONDENT COMMENT
1	ACAG	A	ACAG recommends that additional guidance be inserted to clarify the distinction between restrictions, conditions and stipulations and their respective treatments.
2	CAGB	C	
3	MOMC	A	
4	DOFA	C	
5	HoTARAC	A	
6	QLDT	A	Given the confusion to date on the treatment of reciprocal/non-reciprocal transactions, it is considered that additional guidance is warranted. QLDT can see an argument to support this proposition, however in an exchange transaction, where revenue is received in advance it is standard practice to recognize a liability until such time as the goods/services are delivered. It is difficult to argue that the accounting treatment should differ because the transfer is subject to restrictions specifying goods/services be delivered to a third party, simply because there is no stipulation that the funds be returned. If two transfers were subject to contracts that were identical in every clause regarding delivery of goods/services to a third party, except that one require return of funds, there is some concern as to whether this alone sufficiently changes the substance of the transaction so that a different treatment will apply. Further, under the general principles of liability recognition, a liability is only recognized when it is probable, therefore a liability should only be recognized when it is probable the grant will have to be returned.
7	QCDF	A	Agree, except in the case of multi-year grants to

	NAME	VIEW	RESPONDENT COMMENT
			which time requirements are attached and to the transfer of fixed assets. Revenue in respect of these should be recognized over the periods of utilization.
8	TBSC	A	TBSC agrees that restrictions do not give rise to a liability on initial recognition of the transferred asset and find the clarification helpful.
9	MinEFI	A	
10	HKT	C	
11	IRDNZ	A	
12	NZT	A	
13	ESV	A	There is not a clear enough distinction between restrictions and conditions. It is difficult to interpret when an entity has a return obligation.
14	SwFM	B	The definition of assets and liabilities in the IPSAS is based on the concept of future economic benefits or service potential. Specifically liabilities are defined as “present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying future economic benefits or service potential”. Although SwFM agree that a restriction won’t normally result in an outflow of economic benefits (i.e. the return of the asset), it will in most cases lead to an outflow of service potential. If the entity is required by legal action or any other measure described in paragraph 20 to use the asset in a specific way, this will reduce the service potential from the entity’s point of view. SwFM suggest that no distinction be made between restrictions and conditions, as both meet the definition of a liability used in the IPSAS.
15	CCUK	A	
16	CPAA	A	Any restriction that is a constructive obligation is within the scope of IPSAS 19. The inclusion of further guidance might be useful.
17	ICAA	A	
18	CICA	A	CICA agree that restrictions do not give rise to the recognition of a liability, however, CICA also feel that conditions do not give rise to the recognition of a liability either.
19	IDW	A	

	NAME	VIEW	RESPONDENT COMMENT
20	CNDC & CNR	A	
21	JICPA	A	JICPA consider that liabilities should only be recognized when the recipient of the transferred assets has the obligation to return them to the transferor. The obligation does not have to be explicitly stated in the grant documentation but should be substantive.
22	DnR	A	
23	NZICA	A	
24	ICMAP	C	
25	NBAA	A	
26	ACCA	A	
27	CIPFA	A	
28	ICAEW	A	
29	ICAS	A	
30	JB	C	
31	J-BM	A	
32	FEE	A	
33	NHF	A	NHF finds the terms used here confusing, e.g. “stipulations”, “restrictions” and “conditions”. Further clarity would be welcomed.
34	AGA	A	
35	AASB	C	The AASB is divided on whether the principles in this ED should be applied; however, the AASB is of the view that the distinction between restrictions and conditions is not the tipping point for identifying when a liability arises from receiving assets.
36	ASBSA	A	
37	ASBUK	A	
38	GASB	A	
39	FRAB	A	

SPECIFIC MATTER FOR COMMENT (f)

Do you agree with the proposal to require recognition of assets when resources are transferred or when the reporting entity has an enforceable claim to resources that are to be transferred (see paragraphs 33 – 34 and paragraph 80)? The ED notes that before a claim to a resource is enforceable, the resource does not meet the definition of “control of an asset” because the recipient reporting entity cannot exclude or regulate the access of the transferor to the resource.

Agree	A	34
Disagree	B	0
No clear view expressed	C	5
TOTAL		39

	NAME	VIEW	RESPONDENT COMMENT
1	ACAG	A	
2	CAGB	C	
3	MOMC	A	
4	DOFA	C	
5	HoTARAC	A	HoTARAC is of the view that additional guidance is required regarding when a claim becomes enforceable. This is particularly necessary in relation to appropriations and multi-year grant agreements. HoTARAC is of the view that the premise in the ED that a grant subject to a condition gives rise to a liability is false – a liability ought to only arise if a breach is probable – in HoTARAC’s experience, very few grant agreements are breached.
6	QLDT	A	QLDT supports this in principle, however believes additional guidance will be required to ensure consistency of application in practice.
7	QCDF	A	
8	TBSC	A	
9	MinEFI	A	MinEFI would recommend the writing of more detailed examples in order to understand all the implications of that proposal.
10	HKT	C	
11	IRDNZ	A	IRDNZ suggest that the words “appropriation is made” be changed to “appropriation is disbursed” as it is more common for the recipient entity to gain control when the central finance authority releases the appropriation rather than when the appropriation is authorized.

	NAME	VIEW	RESPONDENT COMMENT
12	NZT	A	NZT suggest that in paragraph 34 the appropriation example be omitted given the different jurisdictional arrangements over appropriations, alternatively use “appropriation is disbursed”. NZT would welcome further guidance on multi-year grants agreements. NZT is of the view that control cannot be demonstrated under such agreements until due date for payment, or unless the recipient can claim rights under the tort of promissory estoppel, i.e. the agreement represents a commitment or an intention, rather than a binding enforceable agreement.
13	ESV	A	
14	SwFM	A	
15	CCUK	A	
16	CPAA	A	There is some confusion among CPAA members about the control concept articulated in the draft IPSAS, CPAA supports eliminating this confusion. CPAA would expect the IPSAS to articulate a principle of control that control may exist even where there is no legal control.
17	ICAA	A	
18	CICA	A	
19	IDW	A	Would welcome the IPSASB adding examples to the Implementation Guidance to clarify the principles. (Suggested Examples provided.)
20	CNDC & CNR	A	
21	JICPA	A	
22	DnR	A	
23	NZICA	A	
24	ICMAP	C	
25	NBAA	A	
26	ACCA	A	This principle should be applied to revenue from taxation.
27	CIPFA	A	
28	ICAEW	A	
29	ICAS	A	
30	JB	C	
31	J-BM	A	

	NAME	VIEW	RESPONDENT COMMENT
32	FEE	A	
33	NHF	A	
34	AGA	A	
35	AASB	A	
36	ASBSA	A	
37	ASBUK	A	
38	GASB	A	
39	FRAB	A	

SPECIFIC MATTER FOR COMMENT (g)

Do you agree with the proposal to measure assets acquired in a non-exchange transaction at their fair value on initial recognition and amend IPSAS 12, “Inventories”, IPSAS 16, “Investment Property” and IPSAS 17, “Property, Plant and Equipment” to be consistent with this requirement (see paragraphs 38 – 39 and the Appendix)? IPSAS 12 currently requires inventory to be initially recognized at cost, and IPSASs 16 and 17 currently require that where assets are acquired for no cost or a nominal cost, their cost is their fair value as at the date of acquisition.

Agree	A	34
Disagree	B	0
No clear view expressed	C	5
TOTAL		39

	NAME	VIEW	RESPONDENT COMMENT
1	ACAG	A	
2	CAGB	C	
3	MOMC	A	
4	DOFA	C	
5	HoTARAC	A	HoTARAC encourages the IPSASB to include greater guidance in the IPSASB on what constitutes fair value.
6	QLDT	A	QLDT supports this proposal in relation to transactions with unrelated parties, however, where assets are transferred between related entities as a result of an owner’s contribution or withdrawal, QLDT’s view is the assets should be measured at the value in the transferor’s accounts immediately prior to transfer. Where appropriate, QLDT would support the transferor revaluing the asset to fair value immediately prior to the transfer taking place. QLDT proposes that such owner’s contributions be excluded from the scope of the IPSAS and addressed in a separate standard.
7	QCDF	A	
8	TBSC	A	TBSC has serious concerns with fair value recognition, if it is extended to transactions between government departments or other entities within the reporting entity. Guidance should clearly indicate that fair value recognition is only appropriate on arm’s length transactions.
9	MinEFI	A	The fair value may be difficult to assess for some assets in the public sector context, and affect the comparability and relevance of the financial

	NAME	VIEW	RESPONDENT COMMENT
			statements, especially in the case of a non-exchange transaction.
10	HKT	C	
11	IRDNZ	A	
12	NZT	A	
13	ESV	A	
14	SwFM	A	
15	CCUK	A	Whilst “fair value” is clearly the desirable basis for valuing non-exchange transactions, its interpretation can be problematic. For example, the gift of a work of art to a museum may be only speculatively valued given the vagaries of fashion and the market in art. The gift of a historic artifact of an ancient civilization may equally be problematic whereas the gift of a modern motor vehicle poses little difficulty. It would be helpful if the implementation guidance could provide further guidance on practical approaches to the measurement of current valued.
16	CPAA	A	
17	ICAA	A	
18	CICA	A	
19	IDW	A	
20	CNDC & CNR	A	
21	JICPA	A	
22	DnR	A	
23	NZICA	A	
24	ICMAP	C	
25	NBAA	A	
26	ACCA	A	
27	CIPFA	A	CIPFA would note that there is some uncertainty over the interpretation of fair value in different jurisdictions.
28	ICAEW	A	ICAEW further consider that more guidance at a principle level should be provided on how to measure the fair value of assets acquired in a non-exchange transaction.
29	ICAS	A	
30	JB	C	

	NAME	VIEW	RESPONDENT COMMENT
31	J-BM	A	
32	FEE	A	There is some uncertainty over the interpretation of fair value in some jurisdictions.
33	NHF	A	
34	AGA	A	
35	AASB	A	The wording of the proposed amendments to IPSAS 12, 16 and 17 can be interpreted such that the asset shall be initially measured at its cost (either nil or nominal) which shall be deemed to be its fair value. This is not the intention of the requirement, which is to record the acquisition at fair value.
36	ASBSA	A	
37	ASBUK	A	The interpretation of “fair value” is not without difficulty and controversy, as is shown by the IASB’s current work on the subject. ASBUK hopes that the IPSASB will clarify its application either in the context of non-exchange transactions or, perhaps, as a separate project.
38	GASB	A	GASB supports this conclusion with the recognition that fair value needs to be determined within the context of the asset’s intended use.
39	FRAB	A	

SPECIFIC MATTER FOR COMMENT (h)

Do you agree with the proposal to require that a liability be recognized in respect of an asset transferred subject to conditions upon initial recognition of the transferred asset (paragraph 50)? When the condition has been satisfied the liability is reduced, or derecognized, and revenue recognized.

Alternatively, do you consider that the IPSAS should only require the recognition of a liability when it is more likely than not that the condition will not be satisfied (see paragraph BC11)? In addition, are you of the view that the requirements relating to the recognition of a liability in respect of a condition applies equally to depreciable and non-depreciable assets?

Agree	A	23
Agree with alternative	B	10
No clear view expressed	C	6
TOTAL		39

	NAME	VIEW	RESPONDENT COMMENT
1	ACAG	B	ACAG does not support the recognition of a liability, when it is more likely than not that the condition will not be satisfied because entities would recognize the revenue element ahead of time, notwithstanding the outflow of resources necessary to satisfy the condition. ACAG is of the view that the requirements relating to the recognition of a liability in respect of a condition do in fact apply equally to depreciable and non-depreciable assets.
2	CAGB	C	
3	MOMC	A	
4	DOFA	C	
5	HoTARAC	B	HoTARAC is of the view that a liability should only be recognized where it is probable that a condition will not be satisfied.
6	QLDT	A	The treatment of non-exchange assets transferred subject to conditions in relation to the recognition of a liability should be consistent whether or not the asset is depreciable. At all times the value of the liability should reflect the value that would be returned to the transferor.
7	QCDF	A	However, would argue that revenue from multi-year grants and non-current assets be recognized over the periods of utilization of the assets.

	NAME	VIEW	RESPONDENT COMMENT
8	TBSC	B	TBSC is of the view that a liability should only be recognized if it is more likely that the conditions will not be satisfied. TBSC is also of the opinion that this condition is equally applicable to depreciable and non-depreciable assets.
9	MinEFI	A	MinEFI agree that a liability should be recognized in respect of an asset transferred subject to conditions upon initial recognition. MinEFI is of the view that the requirements relating to the recognition of a liability in respect of a condition applies equally to depreciable and non-depreciable assets.
10	HKT	C	
11	IRDNZ	B	IRDNZ notes that, in accordance with most conceptual frameworks, if an economic sacrifice is probable, then a liability should be recognized. Otherwise it should not. If the conditions do not involve an economic sacrifice, such as the grant of a non-depreciable asset for a specified purpose, or the agreement of other parties to also transfer funds, then a liability must only be recognized when it is more likely than not that the condition will not be satisfied, and the (economic sacrifice) requirement to return the amount transferred is probable.
12	NZT	B	NZT's approach to this question hinges on whether an economic sacrifice is probable. In accordance with most conceptual frameworks, if an economic sacrifice is probable, then a liability should be recognized, other wise it should not. Some conditions will require an economic sacrifice either through performance or return of the grant, in which case a liability will be recognized. If the conditions do not involve an economic sacrifice, then a liability should only be recognized if a return of the grant becomes probable.
13	ESV	A	
14	SwFM	A	SwFM do not agree that the IPSAS should only require the recognition of a liability when it is more likely than not that the condition will not be satisfied. The requirements should apply equally to depreciable and non-depreciable assets.
15	CCUK	A	A liability should only be recognized when it is more likely than not that the conditions giving rise to entitlement have been breached. However,

	NAME	VIEW	RESPONDENT COMMENT
			perhaps a better way to view the arrangement is that following the transfer of an asset, a liability is recognized to the extent that the recipient does not have entitlement to the asset.
16	CPAA	A	
17	ICAA	B	<p>ICAA is of the view that if it is more likely than not that the conditions of transfer of an asset will not be met then the amount should not be recognized as a liability. This is because if the conditions are unlikely to be met then it is also unlikely that the asset would meet the criteria for recognition and recognizing both would artificially boost the balance sheet.</p> <p>ICAA is of the view that the requirements relating to the recognition of a liability in respect of a condition applied equally to depreciable and non-depreciable assets</p>
18	CICA	B	CICA does not agree that conditions give rise to a liability for a transfer recipient at initial recognition. However, if this approach is maintained in the final IPSAS, it should be applied equally to depreciable and non-depreciable assets.
19	IDW	A	IDW recognize that it is sometimes necessary to consider the substance of the terms of the stipulation rather than merely the form. IDW would welcome the addition of further examples (provided). IDW agree that the same approach should apply to depreciable and non-depreciable assets.
20	CNDC & CNR	A	Depreciable and non-depreciable assets should be treated alike.
21	JICPA	A	A liability should be recognized only when the reporting entity has the substantial obligation to return the transferred assets. The requirements should apply equally to depreciable and non-depreciable assets.
22	DnR	A	DnR disagrees with the alternative and believes the requirements should apply equally to depreciable and non-depreciable assets.
23	NZICA	A	NZICA agrees in principle that a liability should be recognized in respect of a transferred asset subject to conditions, and that as the condition (obligation) is satisfied, revenue should be recognized. However, NZICA believes that the nature of the present obligation recognized to

	NAME	VIEW	RESPONDENT COMMENT
			reflect a condition needs to be clarified. NZICA disagrees with the manner in which performance obligations and return obligations are commingled in the liability. NZICA believe that performance obligations and return obligations should be considered separately and that where either of these meet the definition of a liability and satisfy the recognition criteria, they should be recognized in the financial statements. NZICA also consider that it is confusing to use the phrase “performance obligation, as it implies that there is a liability, using a more neutral terms, such as “performance aspect” avoids this confusion.
24	ICMAP	C	
25	NBAA	A	
26	ACCA	B	ACCA considers that liabilities should only be recognized if it is probable that they will result in the outflow of resources and a reliable estimate can be made of this obligation. We consider these requirements apply equally to depreciable and non-depreciable assets.
27	CIPFA	A	The same principles should apply to depreciable and non-depreciable assets.
28	ICAEW	A	
29	ICAS	B	ICAS believes that conditions should be recognizes as a liability when they meet the recognition criteria for a liability set out in paragraph 22 of IPSAS 19.
30	JB	C	
31	J-BM	B	The IPSAS should only require the recognition of a liability when it is more likely than not that the condition will not be satisfied. These requirements should apply equally to depreciable and non-depreciable assets.
32	FEE	A	The requirements should apply equally to depreciable and non-depreciable assets.
33	NHF	A	Do not agree that capital grants should be recognized as revenue. This would distort the financial statements of entities in the social housing sector.
34	AGA	A	
35	AASB	C	The AASB did not reach a consensus on whether it agrees with the definition “conditions on

	NAME	VIEW	RESPONDENT COMMENT
			transferred assets” and therefore on how to account for those conditions. However, the AASB disagrees with certain aspects of the proposed treatment of those conditions. The AASB thinks the requirements relating to the recognition of a liability in respect of a condition should apply equally to depreciable and non-depreciable assets, but considers that applying the ED’s proposals would not lead to that outcome.
36	ASBSA	A	ASBSA agree that under the circumstances described in paragraph 50, the application of the definition of a liability will usually result in the recognition of a liability. ASBSA agree that the requirements should apply equally to depreciable and non-depreciable assets.
37	ASBUK	A	ASBUK agrees with the proposal that conditions on transferred assets may give rise to a liability upon initial recognition of a transferred asset. ASBUK also considers that the requirements relating to the recognition of a liability in respect of a condition applies equally to depreciable and non-depreciable assets. Finally, ASBUK finds the use of the terms “stipulations”, “conditions” and “restrictions” confusing, in particular ASBUK would suggest IPSASB review whether there is a need for the term “stipulations”.
38	GASB	A	GASB strongly support this position. Much like an exchange transaction, the government either has a present obligation to sacrifice current or future resources or service potential or return those resources to the provider. These actions clearly meet the definition of a liability. In light of that position, GASB believe that consideration should be given to recognizing revenue for non-depreciable assets. The condition never lifts for these benefits, yet the government has the benefit of the service capacity. Unlike a depreciable asset, the government does not have a method to systematically recognize revenues, so this is a practical solution.
39	FRAB	A	The FRAB does not agree with the alternative suggestion that a liability should only be recognized where it is more likely than not that the condition will not be satisfied. The FRAB takes the view that conditions should only result in the recognition of a liability where the asset provided under a non-exchange transaction is depreciable.

SPECIFIC MATTER FOR COMMENT (i)

Do you agree with the proposal to require liabilities related to inflows of resources to be measured according to the requirements of IPSAS 19, “Provisions, Contingent Liabilities and Contingent Assets” (paragraph 52)

Agree	A	32
Disagree	B	1
No clear view expressed	C	6
TOTAL		39

	NAME	VIEW	RESPONDENT COMMENT
1	ACAG	A	
2	CAGB	C	
3	MOMC	A	
4	DOFA	C	
5	HoTARAC	A	In the future IPSASB may need to consider the impact of proposed amendments by the IASB to IAS 37 <i>Provisions</i> .
6	QLDT	A	
7	QCDF	A	
8	TBSC	A	
9	MinEFI	A	
10	HKT	C	
11	IRDNZ	A	
12	NZT	A	NZT agrees that in the interim, and in accordance with IPSAS 19 principles, the liability should be the best estimate of the amount required to settle the obligation. However, NZT considers fair value conceptually superior.
13	ESV	A	
14	SwFM	B	SwFM agree that initial measurement should follow IPSAS 19, but the liabilities should be amortized over the useful life of the corresponding asset.
15	CCUK	A	Measurement according to IPSAS 19 is consistent with the CCUK’s Charities SORP.
16	CPAA	A	
17	ICAA	A	

	NAME	VIEW	RESPONDENT COMMENT
18	CICA	A	
19	IDW	A	
20	CNDC & CNR	A	
21	JICPA	A	
22	DnR	A	
23	NZICA	A	NZICA recommend that the proposed standard be amended to require all liabilities to be measured in accordance with the principles in IPSAS 19.
24	ICMAP	C	
25	NBAA	A	
26	ACCA	A	
27	CIPFA	A	
28	ICAEW	A	
29	ICAS	A	
30	JB	C	
31	J-BM	A	
32	FEE	A	
33	NHF	A	
34	AGA	A	
35	AASB	C	AASB did not reach consensus. Some members agreed with the approach, other board members think that the liability should be measured at the fair value of the amount of the transferred assets.
36	ASBSA	A	
37	ASBUK	A	ASBUK suggest testing the IPSAS 19 approach by reference to the circumstances that are likely to arise in practice in order to ensure it will not give rise to the premature recognition of income.
38	GASB	A	
39	FRAB	A	

SPECIFIC MATTER FOR COMMENT (j)

Do you agree with the proposal to require a non-exchange transaction that gives rise to the recognition of an asset to also give rise to the recognition of revenue to the extent that a liability is not recognized (paragraph 54)? Are there any non-exchange transactions in which it would be appropriate to initially recognize the gross inflow of economic benefits or service potential represented by the asset as revenue even if a liability is also recognized, with the simultaneous recognition of an expense for the liability?

Agree	A	34
Disagree	B	0
No clear view expressed	C	5
TOTAL		39

	NAME	VIEW	RESPONDENT COMMENT
1	ACAG	A	ACAG could not identify any non-exchange transactions that would be more appropriate to initially recognize as revenue, with a simultaneous expense for the liability.
2	CAGB	C	
3	MOMC	A	MOMC is of the view that the case in which it would be appropriate to initially recognize the gross inflow of economic benefits or service potential represented by the asset as revenue even if a liability is also recognized with the simultaneous recognition of an expense for the purpose of comparison and control when there is a full separate disclosure between revenue and liability.
4	DOFA	C	
5	HoTARAC	A	HoTARAC believes that the recognition of an asset gives rise to the recognition of revenue, except to the extent that it is probable that a condition will be breached. HoTARAC does not believe it is appropriate to recognize an asset and revenue, with simultaneous recognition of an expense and a liability. This would appear to distort the financial information of the entity.
6	QLDT	A	QLDT is not aware of any transactions where it would be appropriate to initially recognize revenue and a liability with simultaneous recognition of an expense.
7	QCDF	A	No specific examples to offer.

	NAME	VIEW	RESPONDENT COMMENT
8	TBSC	A	Given that there may be rare circumstances where this is not appropriate, TBSC recommend stating that it is the general expectation that a non-exchange transaction that gives rise to the recognition of an asset would also give rise to the recognition of revenue to the extent that a liability is not recognized.
9	MinEFI	A	MinEFI do not know of any example.
10	HKT	C	
11	IRDNZ	A	IRDNZ are not aware of any examples.
12	NZT	A	NZT is not aware of any examples where quadruple entry accounting would be needed.
13	ESV	A	When it comes to recognition of revenues from taxable events an inflow of resources could occur that results in an entity recognizing an asset and revenue, and a liability and an expense to be paid through the tax system.
14	SwFM	A	
15	CCUK	A	
16	CPAA	A	
17	ICAA	A	ICAA cannot identify any examples.
18	CICA	A	CICA do not agree that a condition associated with a transfer gives rise to a liability.
19	IDW	A	IDW cannot envisage any examples.
20	CNDC & CNR	A	CNDC & CNR believe it is preferable to recognize separately the costs and revenues generated by a liability.
21	JICPA	A	
22	DnR	A	
23	NZICA	A	NZICA is not aware of any examples.
24	ICMAP	C	
25	NBAA	A	
26	ACCA	A	
27	CIPFA	A	Tax expenses are a limited circumstance in which recognition of an expense and a liability may be appropriate.
28	ICAEW	A	
29	ICAS	A	

	NAME	VIEW	RESPONDENT COMMENT
30	JB	C	
31	J-BM	A	
32	FEE	A	Tax expenses are an example where it would be appropriate to represent a social policy delivery mechanism in the same way, regardless of whether it was delivered through the tax system or a separate payment system.
33	NHF	A	
34	AGA	A	
35	AASB	A	Paragraph 54 gives rise to an unintended consequence. If a non-exchange transaction were a contribution from owners, paragraph 54 would require it to be recognized as revenue because a liability would not be recognized in respect of the inflow. The AASB recommends that paragraph 54 should also preclude the recognition of revenue to the extent that a non-exchange transaction is a contribution from owners.
36	ASBSA	A	ASBSA are not aware of any cases.
37	ASBUK	A	ASBUK can think of no examples.
38	GASB	A	
39	FRAB	A	The FRAB knows of no such transactions as detailed above.

SPECIFIC MATTER FOR COMMENT (k)

Do you agree with the proposal to require a reporting entity to recognize liabilities in respect of advance receipts related to taxes (see paragraph 67) and advance receipts related to transfers (see paragraph 105)?

Agree	A	29
Disagree	B	3
No clear view expressed	C	7
TOTAL		39

	NAME	VIEW	RESPONDENT COMMENT
1	ACAG	A	
2	CAGB	C	
3	MOMC	A	
4	DOFA	C	
5	HoTARAC	A	HoTARAC prefers the argument that “time” is another criteria or dimension of contributions as was previously proposed in the ITC (but was rejected by the IPSASB). Where monetary grants provided to be used or “pertain” to a particular financial reporting period, HoTARAC is of the view that the payment of grants in advance of that period represents a liability.
6	QLDT	A	As indicated earlier, it could be argued that all receipts where there are restrictions or conditions, depending on the nature and extent of these could in fact result in a liability being recognized, as it could be argued that until the conditions or restrictions are satisfied, the funds are in substance advance receipts.
7	QCDF	A	
8	TBSC	A	Although the Canadian federal government taxation policies are currently such that TBSC is not aware of situations in which the advance receipts related to taxes would be significant enough to result in use of this standard, TBSC does not take issue with this concept, provided that it is clarified that advance receipts are defined as those related to a future year.
9	MinEFI	A	
10	HKT	C	
11	IRDNZ	B	IRDNZ do not agree with the proposal to require a

	NAME	VIEW	RESPONDENT COMMENT
			reporting entity to recognize liabilities in respect of advance receipts related to taxes and transfers. In respect of taxes, the taxpayer has a right to offset a future tax liability against the advance payment. In respect of grants, a liability should only be recognized if it meets the definition of a liability and satisfies the criteria for recognition, i.e. an outflow is probable.
12	NZT	A	
13	ESV	A	
14	SwFM	A	
15	CCUK	C	
16	CPAA	A	
17	ICAA	A	
18	CICA	B	CICA believes that booking advance receipts as liabilities amounts to an earnings approach to revenue recognition and does not support it.
19	IDW	A	
20	CNDC & CNR	A	
21	JICPA	A	
22	DnR	A	
23	NZICA	A/B	NZICA does not agree with the rationale for recognizing advance receipts as liabilities. NZICA is of the view that the entity does control the asset and there are no performance obligations, however the government has a liability where the taxpayer has a right to offset a future tax liability against the advance payment of tax or that the tax in advance is repayable to the taxpayer. NZICA do not agree that a liability should be recognized in respect of advance receipts of transfers, liabilities should only be recognized when they meet the definition and recognition criteria of a liability.
24	ICMAP	C	
25	NBAA	A	
26	ACCA	A	
27	CIPFA	A	
28	ICAEW	A	
29	ICAS	A	
30	JB	C	

	NAME	VIEW	RESPONDENT COMMENT
31	J-BM	A	
32	FEE	A	
33	NHF	A	
34	AGA	A	
35	AASB	C	The AASB observed that the ED proposes two conflicting measurement bases for conditions on transferred assets that are advance receipts of taxes or transfers. Paragraphs 52 and 53 require IPSAS 19 to be applied, whilst paragraphs 105 and BC21 require measurement at an amount equivalent to the recognized amount of the transferred assets.
36	ASBSA	A	ASBSA support this principle for taxes, but the position with regards to transfers needs to be clarified as paragraph 105 adds an additional criteria, being: “all other obligations under the agreement are fulfilled”.
37	ASBUK	A	
38	GASB	A	
39	FRAB	A	

SPECIFIC MATTER FOR COMMENT (I)

Do you agree with the proposal to not permit the netting of expenses paid through the tax system (see paragraphs 72 – 76) against taxation revenue? Instead such expenses must be recognized separately on a gross basis. The ED distinguishes between expenses paid through the tax system and tax expenditures, and notes that tax expenditures are foregone revenue, not expenses.

Agree	A	29
Disagree	B	4
No clear view expressed	C	6
TOTAL		39

	NAME	VIEW	RESPONDENT COMMENT
1	ACAG	A	
2	CAGB	C	
3	MOMC	A	
4	DOFA	C	
5	HoTARAC	A	
6	QLDT	A	
7	QCDF	B	QCDF is of the view that the financial statements must reflect the government's decisions. Decisions made within fiscal policy must be shown in the tax revenue relating to them and consequently, netting of expenses paid through the tax system against tax revenue should be allowed.
8	TBSC	A	Several years ago, the Government of Canada adopted the approach of reporting tax revenues and expenses paid through the tax system separately on a gross basis. Similarly, consistent with the proposed policy, in Canada, tax revenues are reported net of tax expenditures. Notwithstanding the above, one item of note in the Canadian context is that as individual taxpayers do not file returns for goods and services taxes, low income earners are sent a payment equivalent to a personal exemption on the assumption that, living in Canada, they have paid goods and services taxes at least equivalent to the amount of the payment. This payment is treated as a tax expenditure although there is no way to audit and confirm that the individual has in fact at least paid goods and services tax equal to the amount of the credit.
9	MinEFI	B	MinEFI disagree with the proposal. MinEFI is of the view that some tax expenditures may not be

	NAME	VIEW	RESPONDENT COMMENT
			identified, and therefore not recognized, even as foregone revenues. Tax expenditures and expenses paid through the tax system should be divided into three parts: elements regarding the tax basis, that cannot be recognized; elements regarding the tax rate schedule, that can be recognized as they give rise to a tax deduction or reduction, but not cash flows; and elements giving rise to tax liabilities (for the government) and to foregone revenues (if the government's claim initially recorded is not valid) or expenses (if the initial claim is valid, but ht legislation has decided to grant some tax benefits).
10	HKT	C	
11	IRDNZ	A	
12	NZT	A	
13	ESV	A	The definition of "expense paid through the tax system" needs further elaboration.
14	SwFM	A	
15	CCUK	C	
16	CPAA	A	
17	ICAA	A	
18	CICA	A	
19	IDW	A	
20	CNDC & CNR	A	
21	JICPA	A	
22	DnR	A	
23	NZICA	A	
24	ICMAP	C	
25	NBAA	B	Tax revenue should be netted against expenses through the tax system.
26	ACCA	A	
27	CIPFA	A	
28	ICAEW	A	
29	ICAS	A	
30	JB	C	
31	J-BM	A	
32	FEE	A	

	NAME	VIEW	RESPONDENT COMMENT
33	NHF	A	
34	AGA	A	
35	AASB	A	
36	ASBSA	A	
37	ASBUK	A	ASBUK understand that the proposed treatment is inconsistent with the OECD's guidelines on tax credits and hope that in due course these guidelines will be amended to align with the treatment proposed.
38	GASB	A	
39	FRAB	B	FRAB is sympathetic to this proposal, however, the FRAB recognizes that the provision of support through the tax system is complex and differs between jurisdictions. This means it can be difficult to determine exactly what the tax asset is and therefore whether the accounting treatment should be net or gross. The FRAB believes more guidance in this area is needed.

SPECIFIC MATTER FOR COMMENT (m)

Do you agree with the proposal to Permit recognition of services in-kind that satisfy the recognition requirements (see paragraphs 99 – 416) and require disclosure of the nature and type of services in-kind received, whether recognized or not (paragraph 107 and 108)?

Agree	A	19
Disagree	B	16
No clear view expressed	C	4
TOTAL		39

	NAME	VIEW	RESPONDENT COMMENT
1	ACAG	A	Paragraph 99 is poorly written and does not appropriately address when services in-kind can be recognized. The recognition requirements of an asset need to be incorporated within the black letter paragraph, stating that services in-kind shall be recognized as revenue and as an asset if it meets the recognition criteria and definition of an asset.
2	CAGB	C	
3	MOMC	A	
4	DOFA	C	
5	HoTARAC	A	
6	QLDT	B	QLDT believes that recognition of services in-kind should not be optional but required by government where the recognition criteria are met; and the services would have been purchased had they not been donated. In the context of sector neutral standards, QLDT would not advocate mandatory recognition of such services for voluntary and community organizations as the costs of recognition could exceed any benefits.
7	QCDF	A	Disclosure in the notes of services in-kind, whether recognized or not, is a matter of judgment. Accordingly, if the services in-kind received represent a material contribution in relation to the achievement of the objectives of the recipient entity, this information could be useful to readers of the financial statements and, consequently, should be disclosed to them.
8	TBSC	A	
9	MinEFI	A	Agree, however MinEFI thinks the disclosure of the nature and type of services in-kind received

	NAME	VIEW	RESPONDENT COMMENT
			should be permitted, not required.
10	HKT	C	
11	IRDNZ	B	Permitting but not requiring an entity to recognize services in-kind as revenue and as asset will not enhance the comparability of financial statements between entities. We recommend that the recognition of services in-kind as revenue be either prohibited or mandatory.
12	NZT	A	
13	ESV	B	Services in-kind should be excluded from the IPSAS; it raises too many questions and does not provide adequate answers. It would be very difficult to determine when an entity has control, and to value such services. If they remain with the scope of the standard, there should be no choice as to whether to recognize or not – a decision either way should be made.
14	SwFM	A	Policy evaluation has clearly shown that recognition and even more so measurement of in-kind services is highly controversial even amongst experts. SwFM think that it is likely that reliability of financial statements would be biased by contended expert advice on this issue. SwFM support the disclosure of the nature and type of services in-kind.
15	CCUK	B	The solution offered for benefits in-kind permits similar entities in the same sector to adopt divergent solutions. Reference is made to the national or international marketplace and implicit within the IPSAS is that where a professional provides a service this would be valued but where a non-professional provided a similar service it would not. The requirement for disclosure of the approach is welcomed. The CCUK SORP requires recognition where the service is provided in the course of the provider's trade or business, but does not permit recognition of volunteer services.
16	CPAA	B	CPAA considers that services in-kind either meet the requirements for recognition or they do not. CPAA does not support the recognition of these services in-kind to be at the entity's discretion. CPAA suggests that the IFRIC's SIC 31 "Revenue – Barter Transactions Involving Advertising Services" might provide a basis for determining reliable measurement (i.e., involving cash transactions for similar transactions to other

	NAME	VIEW	RESPONDENT COMMENT
			parties).
17	ICAA	B	<p>Allowing, but not requiring an organization to recognize services in-kind as revenue and as an asset will not enhance the comparability of accounts between organizations.</p> <p>ICAA suggests that the recognition of services in kind as revenue be either forbidden or made mandatory.</p>
18	CICA	A	
19	IDW	B	<p>Non-recognition of services in-kind might result in a reduction in the comparability of financial reporting between various jurisdictions, especially when certain public sector entities pay for services while other receive comparable service in-kind. In IDW's view many services in-kind do not meet the definition of an asset. In addition, IDW doubts if such services can be reliably measured and quantified in practice. IDW has serious doubts as to whether the proposed approach is appropriate. If IPSASB proceeds with the proposed approach, IDW would recommend that the basis on which fair value was determined should be disclosed.</p>
20	CNDC & CNR	B	<p>CNDC & CNR believe that the choice should be mandatory in so far as assets satisfy conditions set out in paragraphs 31 – 39. The recognition criteria are set out in paragraph 38 – 39.</p>
21	JICPA	A	
22	DnR	B	<p>Services in-kind should be recognized as revenue if they can be reliably measured.</p>
23	NZICA	B	<p>NZICA disagree with the proposal in ED 29 to allow entities the discretion as to whether services in-kind are recognized or not. We do not believe that the form of the inflow of service potential of economic benefits (asset) should affect recognition of the revenue. NZICA recommend that recognition be required where the definition and recognition criteria are satisfied and guidance be included to explain when services are considered to be reliably measurable.</p>
24	ICMAP	C	
25	NBAA	A	<p>Services in-kind which can be quantified and valued in measurable terms should be recognized and disclosed in the entity's financial statements.</p>

	NAME	VIEW	RESPONDENT COMMENT
26	ACCA	A	
27	CIPFA	B	CIPFA do not agree with the permissive nature of this proposal. CIPFA note that non-recognition of services in-kind results in less comparable reporting in various circumstances, notably where some entities pay for services while other receive services in-kind. CIPFA agree that there may be difficulties measuring the value of such services as noted in BC26. However, CIPFA consider that the economic benefit of services in-kind should be recognized when this can be reliably measured at a reasonable cost.
28	ICAEW	A	ICAEW would welcome more consideration as to when recognition should be encouraged rather than simply permitted.
29	ICAS	B	ICAS do not believe the voluntary nature of this requirement is acceptable. If voluntary services are to be recognized, recognition should be limited to services which would otherwise have had to be purchased and the value of the service should be capable of being quantified. ICAS agree that where services in-kind are material to the functioning of an entity that these should be reported by way of a narrative note regardless of whether they meet the criteria for recognition.
30	JB	A	
31	J-BM	A	
32	FEE	B	Non-recognition of services in-kind results in less comparable reporting. There may be difficulties in measurement; however the economic benefit of services in-kind should be recognized when they can be reliably measured at a reasonable cost.
33	NHF	B	This proposal is unsatisfactory in that it does not represent a clear and unambiguous solution and contains a significant level of subjectivity. NHF believes it would result in very considerable effort to identify figures in the financial statements that could not be regarded as robust, and that would be of only marginal benefit to the user. NHF does however support full disclosure of such services in-kind by unquantified disclosure.
34	AGA	A	
35	AASB	B	The AASB thinks services in-kind should be required to be recognized as assets and revenue when and only when: a) the fair value of those

	NAME	VIEW	RESPONDENT COMMENT
			services can be measured reliably; and b) the services would have been purchased if they had not been donated. (If this criterion were satisfied, the “probable future economic benefits or service potential” test would automatically be satisfied.)
36	ASBSA	A	ASBSA believe that this treatment should be revisited in the future to determine whether any amendments to the requirements are needed.
37	ASBUK	B	ASBUK is of the view that recognition should be required (rather than permitted) where the economic benefit to the entity is reasonably quantifiable. The value place upon these resources should be the estimated value to the entity of the services received.
38	GASB	A	GASB supports the permitted recognition of services in-kind. The recognition of services in-kind, like the issue raised in Question l, provides for complete information on the cost of government services. GASB also believe that standards setters, including the IPSASB and the GASB, can learn from the experiences of governments that implement this provision. The GASB currently has identified a potential project on in-kind contributions. Our only concern, as noted in the answer to Question n, is that the extended transition period will postpone further study of this issue until at least 2014.
39	FRAB	A	

SPECIFIC MATTER FOR COMMENT (n)

Do you agree with the proposal to provide entities a five year period in which to conform their accounting policies in respect of taxation revenue to the requirements of this Standard? (See paragraphs **Error! Reference source not found.** – **Error! Reference source not found.**). Do you believe that transitional provisions should be provided in respect of other non-exchange transactions?

Agree	A	25
Disagree	B	7
No clear view expressed	C	7
TOTAL		39

	NAME	VIEW	RESPONDENT COMMENT
1	ACAG	A	While ACAG supports the use of full accruals for
2	CAGB	C	
3	MOMC	A	MOMC is of the view that transitional provisions should be provided for other non-exchange transactions as well.
4	DOFA	B	See respondent comments on taxation revenue.
5	HoTARAC	B	HoTARAC disagrees with this proposal and believes that transitional provisions should be a matter for each individual jurisdiction to determine.
6	QLDT	A	QLDT support the extended transitional period in respect of taxation revenue requirements. In relation other transactions, QLDT does not believe Queensland Government entities will require five years to modify their accounting practices to comply with the IPSAS.
7	QCDF	A	QCDF believes that a five year period should be permitted for all requirements of the IPSAS.
8	TBSC	A	TBSC would encourage the inclusion of transitional provisions with respect to other types of non-exchange transactions.
9	MinEFI	A	
10	HKT	A	Given the complexity of the issues involved, HKT consider that a reasonable time frame for public sectors entities to assess the costs and benefits, practicability and possible financial implications on the Government's financial statements upon adoption of ED 29. HKT consider it appropriate and support the proposal to permit a longer transitional period of entities to fully comply with

	NAME	VIEW	RESPONDENT COMMENT
			the requirements set out in the ED following the date of first adoption.
11	IRDNZ	A	
12	NZT	B	While some system changes may be needed for taxes, NZT would note that paragraph 71 provides for some pragmatism in that the recognition point for tax revenue depends on the reliability of the systems. In general, the requirements of this IPSAS are not onerous and do not have significant system implications. NZT generally consider transitional provisions should be set so that retrospective adjustment is not required but extended periods of transition time are not warranted. NZT therefore believe a shorter transition period is appropriate for both tax revenue and other non-exchange revenue.
13	ESV	A	Transitional provisions for other revenues are probably needed as well.
14	SwFM	B	SwFM consider a five year transitional period is too long from an accounting perspective. Instead SwFM suggest a two year period. Furthermore the reporting entity should disclose any significant action taken and/or progress made, during the transitional period.
15	CCUK	C	
16	CPAA	A	
17	ICAA	A	Consider that the transitional provision should apply to the entire IPSAS.
18	CICA	A	Agree but do not allow staggered adoption as this practice only confuses the financial statements and allows for manipulation of results.
19	IDW	A	IDW also supports extending the transitional period to non-tax revenue.
20	CNDC & CNR	B	CNDC & CNR believe that the five year period is too long and should be reduced to no more than three years.
21	JICPA	A	JICPA do not believe the transitional provisions should be provided in respect of other non-exchange transactions.
22	DnR	A	This is a matter of maturity and will vary from jurisdiction to jurisdiction.
23	NZICA	B	NZICA is of the view that five years is an excessive period and will mean that financial

	NAME	VIEW	RESPONDENT COMMENT
			statements prepared in accordance with IPSAS may not provide a reliable picture of the financial position and performance of an entity for half a decade.
24	ICMAP	C	
25	NBAA	A	There should not be a specific period but should be left as optional in terms of a period not confined to a five year period.
26	ACCA	A	
27	CIPFA	C	
28	ICAEW	A	
29	ICAS	C	ICAS do not have strong views on the five year transitional period but consider it is perhaps too long.
30	JB	C	
31	J-BM	A	Transitional provisions should also be provided for other non-exchange transactions such as compulsory contributions to social security schemes.
32	FEE	C	
33	NHF	A	
34	AGA	A	
35	AASB	A	The AASB is of the view that for some classes of taxation revenue reliable measurement during the period in which the taxable event occurs may never be feasible. AASB is of the view that transitional provisions should also be provided for transfers.
36	ASBSA	A	ASBSA believe the transitional provisions should apply to all classes of revenue and not only to taxation. ASBSA believe developing countries in particular, may initially rely more heavily on transfers, while they are developing their tax base. ASBSA believe both sources of revenue require complex accounting systems to generate the information required by the proposed IPSAS.
37	ASBUK	A	ASBUK acknowledges that transitional provisions will be required for taxation revenues but would hope similar provisions will not be required for other non-exchange revenue transactions (subject of course to an effective date that is considered by constituents to be reasonable.

	NAME	VIEW	RESPONDENT COMMENT
38	GASB	B	GASB's concern is that based on the current IPSASB timetable the IPSAS will not be fully implemented until 2012. Based on the GASB's past experience with the implementation of complex standards, GASB would not recommend the use of an extended implementation period. In an effort to move governments to more complete and transparent reporting on a timely basis, GASB would recommend a three-year transition period. The implementation of similar standards in the United States was accomplished in a 30 to 36 month period. This time frame allowed a sufficient period of time for governments to plan and implement the changes (including system modifications) that will be required by this standard.
39	FRAB	A	

ATTACHMENT 9.3
Table of Other Comments

Question/ Paragraph	Submission Number	Name	Respondent Comment	Staff Response
Whole IPSAS	5	HoTARAC	HoTARAC's preference is for a more principles based rather than rules based Standard. In this regard, HoTARAC believes that the current format of the Exposure Draft is unduly repetitious and rules based. The structure of the Exposure Draft is difficult to understand, as it duplicates discussion in a number of areas. For example, the section on transfers (paragraphs 77-105) duplicates a number of concepts discussed earlier in the Exposure Draft.	The intention of IPSASB and the Steering Committee before it was to produce a principles based IPSAS. Staff are of the view that this was achieved to the extent possible with such a difficult and contentious subject. Staff do not propose any changes, but note that if the IPSASB wishes to make changes to address this comment, a major rewrite of the proposed IPSAS will be needed.
Whole IPSAS	5	HoTARAC	In HoTARAC's view, ultimately, there should be consistency in accounting treatment of grants for both for-profit (including GBE's) and not-for-profit entities. In this regard, it is noted that the IASB equivalent on grants, IAS 20 <i>Accounting for Government Grants and Disclosure of Government Assistance</i> is due to be revised. Once this has occurred, there should be consistency in treatment between for-profit and not-for-profit entities. This is an important consideration, given that the whole-of-government economic entity often comprises both for-profit and not-for-profit entities. Where a grant is made by a not-for-profit entity to a for-profit entity, there should be symmetry in accounting treatment in order to avoid any consolidation adjustments.	This comment has been made previously by other respondents to the ITC. The IASB project has not progressed very far. The IPSASB has concluded it should not wait for the IASB to revised IAS 20, but consider a revised IAS 20 if and when it is released.

Whole IPSAS	6	QLDT	QLDT suggests that as Government provides substantial funding to business and the community via non-exchange expenses such as grants, subsidies, contributions and other similar items, all aspects of non-exchange transactions, not just revenues should be addressed. On the basis of the proposed requirements, it is assumed that similar principles would apply to the recognition of non-exchange expenses. That is, an asset would be recognized where conditions exist on such a payment, but not where restrictions exist. QLDT suggests that the treatment of non-exchange expenses be explicitly addressed in an appropriate IPSAS.	Noted.
Whole IPSAS	12	NZT	NZT considers that the proposed IPSAS lays out principles that would be used to account for money or assets received on trust, or as an agent on behalf of other parties. Essentially the critical issue in such cases is whether the recipient entity has control over such money or assets. NZT suggest that it would be useful to include an additional example illustrating the application of the principles in the IPSAS to such receipts.	Staff are of the view that such an example would be beyond the scope of the IPSAS.
Whole IPSAS	36	ASBSA	The document does not flow easily. We recommend the following: <ul style="list-style-type: none"> · Insert the definition of an asset above paragraph 31. · The definition should be followed by paragraph 32. · Paragraphs 31 and 33- 37 should then follow. · Paragraphs 42-44 should then be inserted before paragraphs 38 and 39. · Paragraphs 54-59 should precede the section on contributions from owners (paragraphs 40 and 41). A new heading should be inserted above paragraph 60, for example: "Application of principles to specific classes of non-exchange revenue", with the heading "Taxes" and "Transfers" becoming sub-headings.	Staff note that during development, the document was restructured several times, and that the current structure is the result of considerable debate and the IPSASB's consensus. This proposal should be raised at the meeting.

Administered or trust/agency relationships	5	HoTARAC	HoTARAC believes that, where there is an in-substance agent or trust relationship, the definition of an asset is not satisfied. HoTARAC believes that additional guidance is required regarding the distinction between the concept of control and administered or trust/agent activities. This is particularly an issue where a government agency is used as a mailbox, or conduit, to transfer monetary or non-monetary assets (including grants) to third parties i.e. where the agency administers rather than controls an asset and has no discretion. At present, agency relationships are only discussed in the Exposure Draft in the context of taxes but not grants.	Staff agree that control does not arise for a trustee or agent. This issue was considered by the IPSASB and Steering Committee and the IPSASB agreed to the wording in paragraph 13 and also agreed that further elaboration is not necessary. Staff do not propose any change with respect to this matter.
Title	21	JICPA	Suggest deleting "including" from the title as only taxes and transfers are addressed by the standard.	This IPSASB has removed and reinserted "Including" previously. This should be raised at the meeting.
Title	23	NZICA	Suggest that the bracketed words be deleted or the word "including" be deleted to reflect the definitions of taxes and transfers.	The IPSASB has debated the title at length and decided on the current wording. This issue should be raised at the meeting.
4(b)	36	ASBSA	Paragraph 4 (b) does not refer to pledges, even though pledges are included in the contents page and in paragraph 104.	Pledges are not considered a distinct form of transfer. Staff do not propose any changed.
7	1	ACAG	Fair value is defined within the Standard, however additional guidance is required on the determination of fair value. In the public sector, there are often instances where fair value is difficult to ascertain because of the absence of an active market. Guidance on how to determine fair value would be very useful.	There is considerable guidance on fair value available in IPSASs 16 and 17. This does not need to be repeated here.
7	3	MOMC	Amend definition "Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used <u>or disposed of</u> , but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified."	Staff are of the view that the definition already includes the notion of disposal, so do not propose any changes.

7	3	MOMC	Amend definition "Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use <u>or disposal</u> of a transferred asset by entities external to the reporting entity.	Staff are of the view that the definition already includes the notion of disposal, so do not propose any changes.
7, 15 - 26	14	SwFM	SwFM found the distinction made between conditions and stipulations confusing. SwFM believe that the draft would be clearer if the distinction made between the terms applying to transfers was limited to simply restrictions and conditions. Restrictions would be legally binding terms that restrict the use or deployment of an asset and conditions would simply be terms that must be met before a recipient was entitled to the asset transferred. This approach is simpler to that proposed in the ED and can achieve the same recognition bases inherent in the ED with greater clarity. SwFM also believe such an approach would create a greater concurrence with the work of the ASB in their development of a proposed Interpretation of The Statement of Principles for Public Benefit Entities.	This issue has been extensively debated, this needs to be raised at the meeting.
8	36	ASBSA	The definition of fines should include fines arising out of a breach of a binding arrangement. The definition of stipulations refers to binding arrangements. Fines may be levied as a consequence of a breach of the binding arrangement	The IPSASB had previously thought that such penalties would not be fines, however, staff will include the amendment for the consideration of the IPSASB.
8	36	ASBSA	In the definition of stipulations, reference is made to "parties external to the entity". Reference is also made to it in paragraph 15. This phrase is not clearly understood. Would it include parties to a joint venture or associates?	Staff are of the view that it must be a party which does not have significant influence over the entity, or over which the entity does not have significant influence, which would depend on the circumstances.

8 - non-exchange transaction	29	ICAS	The definition of 'non-exchange transactions' includes wording which is negative. We recommend that negative phrases are not used to define terms and that the words 'are transactions which are not exchange transactions' are removed from the definition of non-exchange transactions. We believe that the remaining wording will provide a sufficient understanding of the term	This definition has been extensively debated and staff feel that any amendments now need to be debated further by the IPSASB. Any amendment to this definition will have substantial consequential effects.
8 - stipulations on transferred assets	29	ICAS	Paragraph 16 states that 'stipulations' can be conditions or restrictions. For clarity, we recommend that the definition of 'stipulations on transferred assets' includes this assertion. Paragraphs 15 to 17 include additional material under the heading 'stipulations': for consistency with the definition in paragraph 8, we recommend that these paragraphs are headed 'stipulations on transferred assets'.	Previous versions of the definition did include such an assertion, however these were deleted by the IPSASB. Staff do not propose any changes.
9	29	ICAS	We recommend that the term to be defined is expanded to 'transfers or transferred assets'. We also recommend that the definition of transfers is revised to specify that transfers include: government or other grants that are non-exchange transactions, forgivable debts, bequests, gifts and donations including goods in-kind, services in-kind and pledges.	Staff prefer not to make this change. The guidance makes it clear that transfers include these items.
12	23	NZICA	Paragraph 12 states that "There are also additional transactions whose substance rather than form must be examined ...". This implies that there are transactions for which it is not important or necessary to consider their substance. We believe that it is important to consider the substance of <u>all</u> transactions rather than the form when deciding the appropriate accounting treatment. We recommend the wording be amended to avoid giving this impression	Staff have proposed an amendment for consideration by the IPSASB.

13	1	ACAG	Paragraph 13 covers revenue collected as an agent of government or another government organization. Clarification is required on whether this means 'administered activities' (as per AAS 29).	Staff are of the view that this is what is meant and that this is clear from the text.
14	23	NZICA	Paragraph 14 of the proposed IPSAS states that if a reporting entity is required to pay delivery and installation costs in relation to the transfer of an item of plant to it from another entity, those costs are recognized separately from revenue arising from the transfer of the item of plant. This paragraph does not make it clear how such delivery and installation costs should be accounted for. NZICA recommend that paragraph 14 be amended to make it clear that such costs should be capitalized in accordance with IPSAS 17 <i>Property, Plant and Equipment</i> .	Staff have proposed an amendment for consideration by the IPSASB.
14	35	AASB	Paragraph 14 of the proposed IPSAS states that if a reporting entity is required to pay delivery and installation costs in relation to the transfer to it of an item of plant to it from another entity, those costs are recognized separately from revenue arising from the transfer of the item of plant. The AASB thinks it would be useful if paragraph 14 noted that such costs should be capitalized in accordance with IPSAS 17.	Staff have proposed an amendment for consideration by the IPSASB.

17	4	DOFA	<p>The proposed standard adopts the approach that control requires an enforceable right. While we acknowledge this approach, there are practical considerations for the Australian Government in applying this principle, when accounting and reporting at an agency level.</p> <p>There are approximately one hundred Australian Government reporting entities that are not legally distinct from the Australian Government itself. Agreements between these entities are not enforceable. It is viewed that a possible result of adopting this principle, is that entities would move to recognizing transactions on a cash basis, rather than an accrual basis between these entities, as they only gain control once the funds have been received. We do not consider this to be appropriate and urge the IPSASB to review this principle.</p>	Staff are of the view that the proposed standard makes it clear that a stipulation can be enforced through administrative processes, such as a directive from a government minister. Staff do not propose any amendments.
17	23	NZICA	<p>Paragraph 17 states that a term in laws or regulation or other binding arrangement is a stipulation only if it is enforceable. In many cases the enforceability of a term will only be determined at the time it is enforced. This may raise a number some practical difficulties in terms of assessing whether or not a term is in fact a stipulation. We also note that paragraph 17 implies that there may be other terms included in laws or regulations or other binding arrangements that are not enforceable. This seems inconsistent with the Basis for Conclusions (BC 9). BC 9 states that terms imposed on the use of transferred assets ... contained in laws, regulations and binding arrangements,... are by definition enforceable. We recommend that the notion of enforceability included in paragraph 17 be amended to reflect the explanation included in BC 9.</p>	Staff are of the view that paragraph 17 is correct and that BC9 should be amended, and have proposed an amendment to BC9 for consideration by the IPSASB.

17	35	AASB	Paragraph 17 could be interpreted to be inconsistent with paragraph BC9 in relation to the enforceability of laws and regulations, in the context of the requirement that a stipulation must be enforceable to meet the definitions in the IPSAS. Para BC9 is ambiguous because it seems to conflate the need for terms to be enforceable to qualify as stipulations with the issue of whether laws and regulations are always enforceable.	Staff are of the view that paragraph 17 is correct and that BC9 should be amended, and have proposed an amendment to BC9 for consideration by the IPSASB.
18 - 20	5	HoTARAC	While the guidance on stipulations, conditions and restrictions is considered beneficial, HoTARAC is concerned that there is the potential for a reasonable person to consider a stipulation is either a condition or restriction. This suggests that further guidance and clarification is required. The examples within the Exposure Draft at paragraph 23 and Example 9 in the illustrative guidance are an indication where a reasonable person might come to a different conclusion.	If there is a conflict, and staff do not think there is, then the principles and guidance in the IPSAS take precedence over non-authoritative examples or implementation guidance.
20	23	NZICA	Recommend that paragraph 20 be amended as follows: "...Such actions may result in the entity being directed to fulfill the restriction or face a civil or criminal penalty for defying the court, other tribunal or authority. Such a <u>direction or</u> penalty is not incurred as a result of acquiring the asset, but as a result of the <u>court, tribunal or an administrative process enforcing the restriction or imposing a penalty</u> breaching the restriction .	
20	36	ASBSA	The penalties arising from a breach of a restriction, referred to in paragraph 20, result in liabilities. As drafted, paragraph 20 gives the impression that this is not the case.	These are not liabilities that arise on recognition of the asset but are subsequent events.

23	36	ASBSA	The example in paragraph 23 may cause confusion. The principle to demonstrate is that the performance obligation should be one of substance, and not be defined so broadly that the recipient entity has in any way no alternative to perform it. The example of the grant to the social housing entity should not refer to an obligation to construct an additional 1000 units over and above any planned increases. To us this is a stipulation of substance resulting in a real performance obligation. Instead it could just rather refer to an obligation to use the grant to support social housing objectives or return the funds to the government. This then clearly illustrates that it is not a condition of substance.	The recipient has two ways to use the funds, increase the stock of housing by 1000 units, or use it to support its social housing objectives. This is a general stipulation that does not result in a liability. Staff do not propose any changes.
23 (example)	16	CPAA	Some of CPAA's members do not understand the transfer term as being so broad as to not impose on the recipient a performance obligation. CPAA suggests the example be reworded to better convey the intended message.	Staff do not propose any changes to example 23.
23 (example)	23	NZICA	The last sentence of the example states: "... <i>In this case, the transfer term is defined so broadly as to not impose on the recipient a performance obligation – the performance obligation is imposed by the operating mandate of the entity, not by the terms of the transfer.</i> " This sentence is confusing as it concludes that there is no performance obligation because the transfer term is defined broadly, but then goes on to state that there is a performance obligation – the operating mandate of the entity. We recommend that the last phrase of	Staff do not propose any changes to example 23.
25	19	IDW	The example is rather confusing. IDW assume that the transferred funds are not subject to a condition but to a restriction. Otherwise IDW is of the view that the example is not consistent with the accounting principles set out in paragraph 45.	In this case the outflow is not probable until the transferee fails to raise funds. Staff do not propose any changes.

25	36	ASBSA	Paragraph 25 refers to the probability of a specified future event taking place that will trigger the recognition of a liability (“a return obligation does not arise until such time as it is expected that the stipulation will be breached ...”). This seems to be at odds with the principle adopted in the ED. See BC 11 where this argument was rejected.	In this case the outflow is not probable until the transferee fails to raise funds. Staff do not propose any changes.
28	18	CICA	Add before 2nd last sentence: "This process is called self-assessment."	Staff would note that is only self-assessment if the taxpayer calculates the amount due to the tax authorities. Para 28 does not state this. Staff do not propose any change.
30	36	ASBSA	Paragraph 30 states the following: “Contributions from owners do not give rise to revenue...”. Should this not have given rise to a clarification in the scope section on the appropriate accounting? We do understand that the objective of the standard as stated is to “deals with issues that need to be considered in recognising and measuring revenue from non-exchange transactions including the identification of contributions from owners.” It just seems inappropriate to deal with it in the middle of the standard. Furthermore, it also confuses the flow diagram in that the question whether or not the transaction is a non-exchange transaction is now halfway down the diagram and implies that non-exchange transactions are discussed from paragraphs 42 onwards. Note however that paragraphs 31-39 (before paragraph 42) already deals with inflows from non-exchange transactions, and that paragraph 38 and 39 deal with measurement at fair value, which is not true for other IPSAS.	Staff do not propose changing the flowchart as this will require significant redrafting of the IPSAS to match it.
Flowchart	7	QCDF	QCDF has proposed a redrafting of the flow chart.	Staff do not propose changing the flowchart as this will require significant redrafting of the IPSAS to match it.

Flowchart	35	AASB	The first question asked in the flowchart illustrating the recognition requirements of the proposed IPSAS is whether the inflow gives rise to an item that meets the definition of an asset. The AASB thinks it would be useful to add a footnote indicating that the inflows to which this question applies include assets that are consumed immediately.	Staff do not propose changing the flowchart.
33 - 34	1	ACAG	Even though paragraphs 33-34 discuss the concept of controlling an asset, ACAG recommends that the following criteria should be added to paragraph 31, in relation to the recognition of assets: Paragraph 31 (c) – “The entity obtains control of the contribution or the right to receive the contribution”	Control is part of the definition. This issue has been discussed previously. Staff do not propose any change.
39	36	ASBSA	Paragraph 39 should qualify the assets to state that it is only “assets acquired through a non-exchange transaction” that are measured at fair value	Agree.
42	23	NZICA	We recommend that paragraph 42 be deleted as it does not add anything to the proposed Standard.	Staff disagree with the respondent and do not propose any change.
47(a)	18	CICA	Part (b) of this paragraph talks about conditions on transfers, but part (a) merely talks about limits on the use of taxes. For taxes, are these limits restriction or conditions or neither?	Whether they are restrictions or conditions depends upon the particular legal framework.
55	23	NZICA	We recommend that paragraph 55 be simplified as follows: “...As an entity satisfies a present obligation recognized as a liability condition in respect of an inflow of resources from a non-exchange transaction recognized as an asset , it shall reduce the carrying amount of the related liability recognized and recognize an amount of revenue equal to that reduction.”	Staff disagree with the respondent and do not propose any change.

58	23	NZICA	<p>Paragraph 58 deals only with the measurement of recognition of revenue related to the initial recognition of the related assets. We recommend that paragraph 58 be amended to address measurement of revenue from non-exchange transactions at all stages, including the measurement of revenue as conditions are satisfied: "Revenue from non-exchange transactions shall be measured:</p> <p style="padding-left: 40px;">at the amount of the increase in net assets recognized by the entity as at the date of initial recognition of assets arising from the non-exchange transaction; and</p> <p style="padding-left: 40px;"><u>where conditions on transferred assets are satisfied,</u></p> <p style="padding-left: 40px;"><u>the amount equal to the reduction in the related liability.</u></p>	Staff disagree with the respondent and do not propose any change.
58	35	AASB	<p>Para 58 deals only with the measurement of revenue related to the initial recognition of the related assets, AASB recommend that this be amended to address measurement at all stages:</p> <p>"Revenue from non-exchange transactions shall be measured: at the amount of the increase in net assets recognized by the entity as at the date of initial recognition of assets arising from he non-exchange transaction; <u>and when conditions on transferred assets are satisfied, at the amount equal to the recognized reduction in the related liability.</u>"</p>	Staff disagree with the respondent and do not propose any change.

60	14	SwFM	SwFM has received strong opposition from the tax authorities towards paragraph 60. These authorities argue that in the Swiss system, most taxes are not collected by the state that imposes the tax, but at the local level. E.g. state taxes are collected by local governments and federal taxes by the state governments. Therefore tax authorities have no access to the relevant information for measurement. The SwFM have acknowledged these difficulties in cooperation between the tax authorities but believe it is in the public interest to overcome these difficulties. Tax estimates are currently quite unreliable due to the lack of information. This situation has been the subject of ongoing public criticism. SwFM endorse paragraph 60 as an opportunity to generally improve the situation in Switzerland.	Staff support the view of the SwFM that this IPSAS should be seen as an opportunity to develop better tax administration procedures.
60 & 67	11	IRDNZ	Paragraph 60 is inconsistent with paragraph 67. Para 60 states that an entity shall recognize an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met. However, it is unclear from this paragraph when an entity should recognize revenue in respect of taxes. Further guidance is required in respect of the timing of recognizing the revenue. Para 67 states that "the past event that gives rise to the entity's control of the asset has not occurred, notwithstanding that the entity has already received an inflow of resources." If this were true then the entity would not be able to recognize the asset. IRDNZ is of the view that in the case of taxes received in advance, the entity does control the asset. The issue is whether it should also recognize revenue. This depends on the extent to which the entity has an obligation in relation to the inflow. As noted in IRDNZ's response to (k), IRDNZ believes that further explanation is required as to why advanced receipt of taxes is a liability.	Revenue would be recognized when the liability is extinguished, i.e. when the taxable event occurs. Staff disagree that the paragraphs are inconsistent, and do not propose any amendments.

61	4	DOFA	The taxation revenue recognition principles are consistent with current Australian requirements, adopting the approach of recognizing taxation revenue on the taxable event. Where reliable measurement is not possible at this point a later recognition point is applied, for example when received or receivable. DOFA is concerned that some constituents: will regard the emphasis upon the taxable event as requiring the adoption of recognition upon the taxable event even if reliable measurement is not regarded as possible; are of the view that a reliable measurement can always be obtained; and may regard the use of a later recognition as an indication the Australian Government has not undertaken sufficient work to establish a basis of reliable measurement. Due to the risk of divergent interpretations, DOFA consider the present proposals are unworkable without significant amendments.	The former Australian Auditor-General and IFAC Board member, who was present during the IPSASB deliberations of ED 26 expressed a contrary view to that of the respondent, as is noted in his audit opinion on the Consolidated Financial Statements of the Australian Government. The proposed IPSAS makes it clear that in addition to the occurrence of the taxable event, the resources must be controlled by the entity and capable of reliable measurement. Staff do not propose any changes in respect of this comment.
62	4	DOFA	ED 29 proposes the principle that revenue from taxation arises only for the government who imposes the tax, which we interpret as the government who passes the legislation. We note that revenue in Australia is currently recognized when it is probable that the future economic benefits associated with the item will flow to the entity and that this can be reliably measured. DOFA considers in relation to funds raised through taxation that future economic benefits is the ability to control or the discretion over the purchasing power of these funds. We strongly disagree that the imposing government necessarily controls taxation revenue as this implies that the legal situation is the only determinate of control.	Staff disagree with the respondent and do not propose any change.

62	1	ACAG	<p>Paragraph 62 - We support the approach in paragraph 62 that taxation revenue only arises for the government that imposes the sales tax and not for other entities. The exercise of a taxing power will be discretion of the taxing government. Disposition of the tax to other governments is a separate transaction.</p> <p>However, the obligation to pass the tax to the States should give rise to a liability and an expense in the first instance, with the liability being settled by the transfer of the proceeds to the States. In its current form, paragraph 62 simply says that settlement results in a decrease in an asset, with no mention of reducing the liability.</p>	The paragraph notes that it recognizes a decrease in assets and an expense when it passes the proceeds to the state governments. Staff do not propose any amendments.
66	5	HoTARAC	HoTARAC notes that many local government rates would be non-exchange transfers and considers that they should be specifically considered.	Staff are of the view that the rates levied by local governments in Australia are property taxes and are adequately addressed by the proposed IPSAS.
70	16	CPAA	Suggest replacing "may result" with "will likely result".	Staff are not sure that the stronger language is warranted. Staff do not propose any amendments.

71	5	HoTARAC	<p>HoTARAC supports the majority of proposals within the Exposure Draft on the recognition of taxes, noting that, while more expansive, these are broadly similar to current Australian Accounting Standards requirements.</p> <p>However, HoTARAC is of the view that, in practice, reliable measurement of certain tax revenue is often not possible until some time after the taxable event. This is due to the difficulty of reliably measuring events of which the taxing authority is not aware until returns are received from taxpayers. It is not always possible to reliably incorporate such events into a statistical model.</p> <p>In particular, HoTARAC is concerned that the Exposure Draft might be viewed as requiring a Government to adopt an estimation process, even where this is viewed as unreliable. HoTARAC therefore believes that IPSASB should expand the guidance provided in paragraph 71, to recognise that it is not uncommon for a Government to be unable to establish a reliable measurement, where the estimation process is highly assumption driven and the taxation base is subject to volatility. The adoption of a later recognition point in the</p>	The IPSASB has stated clearly that if reliable measurement is not possible, an asset cannot be recognized. The IPSASB considered these arguments in developing the IPSAS. Staff do not propose any changes.
72 - 76	23	NZICA	<p>These items are described in similar terms. We recommend that each of these items be addressed in separate sections within the proposed IPSAS in order to avoid confusing the two.</p>	<p>This section has been subjected to intensive debate and the current wording is the result. This issue should be raised at the meeting.</p>

77 - 105	5	HoTARAC	HoTARAC believes that additional discussion is required regarding different appropriation models, including purchaser provider and funding models. Further, appropriations that are in-substance purchaser provider models and meet the definition of exchange transactions should be excluded from the scope of the Exposure Draft and should be addressed as part of the Revenue Standard (IPSAS 9). In these instances, individual jurisdictions have implemented specific methodologies to determine when revenue should be recognized based upon performance.	The IPSASB, and the SC before it, declined to provide extensive guidance on appropriations as there was a different appropriations framework in each jurisdiction. Staff do not propose any changes.
84 - 98	11	IRDNZ	These paragraphs provide examples demonstrating how the principles in the IPSAS are to be applied,. Given that this is the function of the Implementation Guidance accompanying the IPSAS; it would be more useful to have this material in the Implementation Guidance.	Staff would argue that these paragraphs are guidance on the application of principles to particular classes of transaction, rather than implementation guidance. Staff do not propose changing the IPSAS.
84 - 98	12	NZT	Paragraphs 84 to 98 essentially provide examples demonstrating how the principles in the IPSAS are to be applied. This is the function of the implementation guidance accompanying the standard. For ease of reference, it would be more useful to have this material in the same place, and it is suggested that these paragraphs be moved to the implementation guidance.	Staff would argue that these paragraphs are guidance on the application of principles to particular classes of transaction, rather than implementation guidance. Staff do not propose changing the IPSAS.
89 - 90	5	HoTARAC	Fines are discussed in paragraph 89 and 90, under the general heading of "Transfers". HoTARAC suggests that fines would be more appropriately discussed under a combined heading of "Taxes and Fines".	Staff disagree with the respondent and do not propose any change.
90, 93, 98	36	ASBSA	As drafted, we are applying IPSAS 9 principles to some of the categories of non-exchange revenue, for example fines, bequests etc. The last sentence in each of these sections state, "... are measured at the fair value of the resources received or receivable". If we applied the principles set in this standard, we would be saying "... are measured at the fair value of the change in net assets.	Staff agree and have proposed amendments for consideration by the IPSASB.

94	36	ASBSA	The first sentence of paragraph 94 states that gifts and donations are “normally free from stipulations”. The first sentence of paragraph 95 states: “... may be subject to stipulations”. These statements are contradictory.	Gifts and donations are without stipulations, goods in-kind may not be, particularly if part of a development assistance program. Staff do not propose any changes.
94	36	ASBSA	The “any” in the second sentence of paragraph 94 should be replaced with “an”	Agree.
94 - 98	37	ASBUK	Although not raised as a specific matter for comment, ASBUK agrees with the proposed approach for recognizing gifts and donations, including gifts in-kind, as assets and, where no conditions are attached, as revenue.	Noted.
96	36	ASBSA	In paragraph 96 we have added the phrase “the transfer of legal title are often simultaneous”. We do not believe this is relevant and frequently with gifts and donations, the legal title is separated from the beneficial use	If legal title is separated, it would be a loan, not a gift or donation. Staff do not propose any changes.
98	16	CPAA	"an appraisal of the value of an asset is normally undertaken by a member of the valuation profession" CPAA notes that obtaining appraisals from an external valuer will be a case-by-case decision, depending on the cost versus benefit. CPAA recommend that the draft IPSAS replace the words "is normally" with "may be".	Staff disagree with the respondent and do not propose any change.
103	36	ASBSA	The second last sentence of paragraph 103 states that: “as for all disclosures, disclosures relating to services in-kind are only made if they are material”. Do we need the sentence as IPSASs apply only to material items?	This sentence was included in one of the previous drafts at the request of the IPSASB. Staff recommend raising this issue during the meeting.

105	36	ASBSA	<p>Paragraph 105 is confusing in the context of the document as a whole. It states: “Advance receipts in respect of transfers are not fundamentally different from other advance receipts, so a liability is recognized until the past event which makes the transfer arrangement binding has occurred, and all other obligations under the agreement are fulfilled”. In paragraphs 26, 46, 48, 49, example 19, etc. we recognise the revenue when the agreement becomes binding. By adding “all other obligations under the agreement are fulfilled”, we are adding a performance requirement that has not been required in the previous paragraphs. It appears to re-introduce the issue of multi-period agreements for the transfer of resources. It is possible that the transfer arrangements are binding (deal is signed), and money is paid in advance of time requirements stipulated in agreement. Would one then look to see if you could raise a liability under the definition of condition, and if not, then you recognize the whole lot as revenue?</p> <p>We suggest deleting the phrase: “all other obligations under the agreement are fulfilled”. This would be consistent with BC 21</p>	Staff agree and have proposed amendments for consideration by the IPSASB.
106	1	ACAG	<p>ACAG also recommends that the following be inserted into paragraph 106, in relation to disclosures:• ACAG also recommends that the following be inserted into paragraph 106, in relation to disclosures: 106 (f) – “The amount of liabilities forgiven”</p>	Staff agree and have proposed amendments for consideration by the IPSASB.
108	36	ASBSA	The first sentence of paragraph 108 appears to be missing a verb	Staff agree and have proposed amendments for consideration by the IPSASB.
114	19	IDW	Paragraph refers to a 107(e) requirement to disclose services in-kind.	The paragraph should refer to the 108 guidance encouraging disclosure of services in-kind.
116	36	ASBSA	Paragraph 116 should be amended as follows: “...shall only be made to better conform to the accounting policies of this Standard.”	Agree.

Appendix	23	NZICA	Amend amendment: "...Where an asset is acquired at no cost, or for a nominal cost through a non-exchange transaction, its cost <u>shall be measured at</u> is its fair value as at the date of acquisition".	Staff agree and have proposed amendments for consideration by the IPSASB.
IG4	36	ASBSA	Would it not be more appropriate to refer to "relevant national and international standards" in the last sentence of paragraph IG4	Not if the auditor is testing the validity of the model.
BC6	16	CPAA	"fore the recognition" should read "for the recognition".	Agree.
IG26 - 27	1	ACAG	<p>Example 13 on research grants provides an instance where a research grant received by a university is considered an exchange transaction. However, from a public sector perspective, it is often difficult to assess whether the grants received and services performed are reciprocal/exchange transactions and practitioners have always struggled with the concept of reciprocity. An example of this is research grants received by universities from the government. One might conclude that the grants provided are not of approximately equal value to the benefits received from the results of the research, but this is very much a judgemental call. There is also a question of whether the grantor directly receives the benefits of the research, although one might argue that the benefits received is the cost that the grantor would have had to incur if they had the relevant expertise.</p> <p>Accordingly, ACAG believe that proposed guidance should be included in the Standard to refine the concept of reciprocity and how this Standard relates to AASB 118 or AASB 1004.</p>	Staff disagree with the respondent and do not propose any change.
IG40 - IG43 Example 20	16	CPAA	Some CPAA members read this example as implying that revenue will be recognized on a net basis, as CU55 million was invoiced but only CU53 million was recorded as revenue. This seems inconsistent with the contents of the proposed standard.	The example is consistent with the definitions in that an amount that is unlikely to flow to the entity fails to meet the definition of an asset. Staff do not propose any changes.

IG44 - IG46 Example 21	16	CPAA	Some Cpaa members suggest that this example might not be consistent with the latest work of the IASB in the use of fair value in multiple markets.	Noted.
IG51 - IG52 Example 24	16	CPAA	Some CPAA members suggest this example would be improved by expanding it so that if a liability is not recognized, a contingent liability may exist that should be disclosed.	The example is illustrating this IPSAS rather than IPSAS 19. Staff do not propose any amendments.
BC6	18	CICA	1st sentence change to "...broad principles for..."	Agree.
BC17	36	ASBSA	BC 17 states: This proposed Standard adopts the requirement that all money deposited in a bank account of an entity satisfies the definition of an asset and meets the criteria for recognition of an asset of the entity." However, there is no such explicit statement in the body of the ED, apart from some examples in the appendix. This statement does not align with the approach set out in matters for comment (f).	Staff have proposed an amendment for consideration by the IPSASB.
BC18	36	ASBSA	The last sentence of paragraph BC18 is not always accurate. Most agreements with donors or multi-lateral require repayment of interest earned or forgone	Noted.
BC24 - BC25	5	HoTARAC	HoTARAC supports the discussion on the tax gap included in the Basis of Conclusions (paragraphs BC24-BC25). This clarifies that the tax gap does not meet the definition of an asset, as it is not expected that resources will flow to the Government in respect of these amounts. HoTARAC believes that this should be included in the body of the Exposure Draft.	The IPSASB decided that this discussion was best left to the Basis for Conclusions. Staff do not propose any change.

BC25	36	ASBSA	<p>We do not agree with the sentiments expressed in BC25. As drafted, we are setting a requirement / including an encouragement <i>in the basis for conclusions</i> to disclose information in the financial statements (which is subject to an expression of an opinion by the auditors). The basis for conclusions should state why we don't require any disclosure in the body of the standard. Our suggestion is: "The IPSASB is of the view that the tax gap does not meet the definition of an asset as it is not probable that resources will flow to the government in respect of these amounts, and reliable measurement estimates may not be possible. Consequently, assets, liabilities, revenue or expenses will not be recognized in respect of the tax gap. Information about the tax gap may be disclosed in accordance with the provisions of IPSAS 1, which requires disclosure of any information necessary for a fair presentation of the financial statements of a public sector entity.</p>	<p>The material on the tax gap has undergone intense scrutiny and debate. This issue needs to be raised at the meeting.</p>
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			<p>Such disclosures in the annual financial statements may include information about the nature of the tax gap, if not disclosed elsewhere. Disclosures in the financial statements involving estimates may be limited to where reliable measurements estimates can be made.” IPSAS 1 requires disclosure of key assumptions concerning the future, and other key sources of estimation uncertainty. These are not the items that result in the tax gap. BC 24 referred to the tax gap as “the difference between the amounts government is entitled to collect under the tax law and the amount that will be collected, due to the underground economy (or black market), fraud, evasion, non-compliance with the tax law, and error.” As the amount legally due under the tax law cannot be estimated reliably and is unlikely to be collectable, the Standard requires a lower threshold for recognition. It is assumptions about the lower threshold that should be disclosed in accordance with IPSAS 1.</p>	
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DRAFT FOR REVIEW BY IPSASB
REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

**INTERNATIONAL PUBLIC SECTOR ACCOUNTING
STANDARD IPSAS XX**

**REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)**

CONTENTS

	Paragraph
<u>Introduction.....</u>	<u>IN1 – IN5</u>
Objective	1
Scope	2–6
Government Business Enterprises	6
Definitions	17–28 29
Non-Exchange Transactions	89–11 42
Revenue	124 3–13 44
Stipulations	141 5–16 47
Conditions on Transferred Assets.....	174 8–18 49
Restrictions on Transferred Assets	19 20
Substance over Form	202 1–25 26
Taxes.....	262 7–28 29
Analysis of the Inflow of Resources from Non-Exchange Transactions	29 30
Recognition of Assets	303 1–38 39
Control of an Asset	323 3–33 34
Past Event	34 35
Probable Inflow of Resources.....	35 36
Contingent Assets	36 37
Measurement on Initial Recognition.....	373 8–38 39
Contributions from Owners	394 0–40 41
Exchange and Non-Exchange Components of Non-Exchange Transactions .	414 2–43 44
Present Obligations Recognized as Liabilities.....	444 5–52 53
Present Obligation	454 6–48 49
Conditions on a Transferred Asset	495 0–50 51
Measurement of Liabilities on Initial Recognition	515 2–52 53
Recognition of Revenue from Non-Exchange Transactions.....	535 4–56 57
Measurement of Revenue from Non-Exchange Transactions	575 8–58 59

Taxes	5960–7576
The Taxable Event.....	6566
Advance Receipts of Taxes	6667
Measurement of Assets Arising from Taxation Transactions	6768–7074
Expenses Paid Through the Tax System and Tax Expenditures	7172–7576
Transfers	7677–104105
Measurement of Transferred Assets	8384
Debt Forgiveness and Assumption of Liabilities.....	8485–8788
Fines	8889–8999
Bequests.....	9091–9293
Gifts and Donations, including Goods In-kind.....	9394–9798
Services In-kind.....	9899–102103
Pledges.....	103104
Advance Receipts of Transfers.....	104105
Disclosures.....	105106–113114
Transitional Provisions	114115–121122
Effective Date	122123–123124
Appendix – Amendments to Other IPSASs	
Implementation Guidance: Examples	IG1–IG53
Basis for Conclusions	BC1–BC27

International Public Sector Accounting Standard XX, "Revenue from Non-Exchange Transactions (Including Taxes and Transfers)" is set out in paragraphs 1 – ~~123~~¹²⁴. All the paragraphs have equal authority except as noted otherwise. IPSAS XX should be read in the context of its objective, the Basis for Conclusions, and the "Preface to International Public Sector Accounting Standards". IPSAS 1, "Presentation of Financial Statements" provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Introduction

IN1. The International Public Sector Accounting Standards Board (IPSASB) decided to develop an International Public Sector Accounting Standard (IPSAS) on revenue from non-exchange transactions because:

- (a) Non-exchange revenues, in particular taxes and grants, form the majority of revenue for most public sector entities;
- (b) Until now there has been no generally accepted financial reporting standard that addresses the recognition and measurement of taxation revenue;
- (c) Current standards on recognition and measurement of grants are inconsistent with conceptual frameworks for financial reporting; and
- (d) The IPSASB needed to address this issue of vital importance for all public sector entities.

IN2. The IPSASB's predecessor organization, the Public Sector Committee (PSC), established a Steering Committee in 2002 to carry out initial work on accounting and financial reporting of revenue from non-exchange transactions by public sector entities. In January 2004 the PSC published an Invitation to Comment prepared by the Steering Committee "Revenue from Non- Exchange Transactions (Including Taxes and Transfers)". The ITC requested comments by June 30, 2004.

IN3. The IPSASB reviewed comments and drafted an Exposure Draft at its November 2004 and subsequent meetings, and issued a final Exposure draft in January 2006, with a request for comments by June 30, 2006. At its November 2006 meeting, the IPSASB reviewed the comments received and approved this IPSAS for issue.

Main Features of the IPSAS

IN4. The IPSAS:

- (a) Takes a transactional analysis approach whereby entities are required to analyze inflows of resources from non-exchange transactions to determine if they meet the definition of an asset and the criteria for recognition as an asset, and if they do, determine whether a liability is also required to be recognized.
- (b) Requires that assets recognized as a result of a non-exchange transaction initially be measured at their fair value as at the date of acquisition.

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

- (c) Requires that liabilities recognized as a result of a non-exchange transaction be recognized in accordance with the principles established in IPSAS 19, “Provisions, Contingent Liabilities and Contingent Assets”.
- (d) Requires that revenue equal to the increase in net assets associated with an inflow of resources be recognized.
- (e) Provides specific guidance that addresses particular classes of revenue including:
 - i. Taxes
 - ii. Transfers, including:
 - Debt forgiveness and assumption of liabilities
 - Fines
 - Bequests
 - Gifts and Donations, including goods in-kind
 - Services in-kind
- (f) Permits, but does not require, the recognition of services in-kind.
- (g) Requires disclosures to be made in respect of revenue from non-exchange transactions.

Amendments to Other IPSASs

IN5. The Standard includes an authoritative appendix of amendments to IPSASs 12, “Inventories”, 16, “Investment Property” and 17, “Property, Plant and Equipment”. The amended IPSASs will require that inventories, investment property or property, plant and equipment acquired through a non-exchange transaction be initially measured at the fair value of the item as at the date of acquisition.

International Public Sector Accounting Standard IPSAS XX

**REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)**

Objective

1. The objective of this Standard is to prescribe requirements for the financial reporting of revenue arising from non-exchange transactions, other than non-exchange transactions that give rise to an entity combination. The Standard deals with issues that need to be considered in recognizing and measuring revenue from non-exchange transactions including the identification of contributions from owners.

Scope

2. **An entity which prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for revenue from non-exchange transactions. This Standard does not apply to an entity combination that is a non-exchange transaction.**
3. **This Standard applies to all public sector entities other than Government Business Enterprises.**
4. This Standard addresses revenue arising from non-exchange transactions. Revenue arising from exchange transactions is addressed in IPSAS 9, "Revenue from Exchange Transactions". While revenues received by public sector entities arise from both exchange and non-exchange transactions, the majority of revenue of governments and other public sector entities is typically derived from non-exchange transactions such as:
 - (a) Taxes; and
 - (b) Transfers (whether cash or non-cash), including grants, debt forgiveness, fines, bequests, gifts, donations, and goods and services in-kind.
5. Governments may reorganize the public sector, merging some public sector entities, and dividing other entities into two or more separate entities. An entity combination occurs when two or more reporting entities are brought together to form one reporting entity. These restructurings do not ordinarily involve one entity purchasing another entity, but may result in a new or existing entity acquiring all the assets and liabilities of another entity. The International Public Sector Accounting Standards Board (IPSASB) has not addressed entity combinations and has excluded them from the scope of this Standard. Therefore, this Standard does not specify whether an entity combination, which is a non-exchange transaction, will give rise to revenue or not.

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

Government Business Enterprises

6. The “Preface to International Public Sector Accounting Standards” issued by the IPSASB explains that International Financial Reporting Standards (IFRSs) are designed to apply to the general purpose financial statements of all profit-oriented entities. Government Business Enterprises (GBEs) are profit-oriented entities and accordingly are required to comply with IFRSs.

Definitions

~~7. The following terms are used in this Exposure Draft with the meanings specified. These terms have been defined in other IPSASs:~~

~~Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.~~

~~Contributions from owners are future economic benefits or service potential that has been contributed to the entity by parties external to the entity, other than those that result in liabilities of the entity, that establish a financial interest in the net assets/equity of the entity, which:~~

~~(a) Conveys entitlement both to distributions of future economic benefits or service potential by the entity during its life, such distributions being at the discretion of the owners or their representatives and to distributions of any excess of assets over liabilities in the event of the entity being wound up; and/or~~

~~(b) Can be sold, exchanged, transferred or redeemed.~~

~~Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.~~

~~Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.~~

~~Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners.~~

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

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by public sector entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws, ~~or~~ regulations **or other binding arrangement**.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The **taxable event** is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to public sector entities, in accordance with laws and or regulations, established to provide revenue to the government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

Terms defined in other International Public Sector Accounting Standards are used in this Standard with the same meaning as in those other Standards and are reproduced in the Glossary of Defined Terms published separately.

Non-Exchange Transactions

- | 9.8. In some transactions there it is clear that there is an exchange of approximately equal value. These are exchange transactions, and are addressed in other IPSASs.
- | 10.9. In other transactions, such as taxes or transfers, an entity will receive resources and provide no or nominal consideration directly in return. These are clearly non-exchange transactions and are addressed in this Standard.
- | 11.10. There are a further group of non-exchange transactions where the entity may provide some consideration directly in return for the resources received, but that consideration does not approximate the fair value of the resources received. In these cases the entity determines whether there is a combination of exchange and non-exchange transactions, each component of which is recognized separately.
- | 12.11. There are also additional transactions where it is not immediately clear whether they are exchange or non-exchange transactions. In these cases an examination of the ~~whose~~ substance rather than form must be examined of the transaction will ~~to~~ determine if they are exchange or non-exchange transactions. For example, the sale of goods is normally classified as an exchange transaction. If, however, the transaction is conducted at a subsidized price, that is, a price that is not approximately equal to the fair value of the goods sold, that transaction falls within the definition of a non-exchange transaction. In determining whether the substance of a transaction is that of a non-exchange or an exchange transaction, professional judgment is exercised. In addition, entities may receive trade discounts, quantity discounts, or other reductions in the quoted price of assets for a variety of reasons. These reductions in price do not necessarily mean that the transaction is a non-exchange transaction.

Revenue

- | 13.12. Revenue comprises gross inflows of economic benefits or service potential received and receivable by the reporting entity, which represents an increase in net assets/equity, other than increases relating to contributions from owners. Amounts collected as an agent of the government or another government organization or other third parties will not give rise to an increase in net assets or revenue of the agent. This is because the agent entity cannot control the use of, or otherwise benefit from, the collected assets in the pursuit of its objectives.

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

14.13. Where an entity incurs some cost in relation to revenue arising from a non-exchange transaction, the revenue is the gross inflow of future economic benefits or service potential, and any outflow of resources is recognized as a cost of the transaction. For example, if a reporting entity is required to pay delivery and installation costs in relation to the transfer of an item of plant to it from another entity, those costs are recognized separately from revenue arising from the transfer of the item of plant. Delivery and installation costs are included in the amount recognized as an asset, in accordance with IPSAS 17, "Property, Plant and Equipment".

Stipulations

15.14. Assets may be transferred with the expectation and or understanding that they will be used in a particular way and, therefore, that the recipient entity will act or perform in a particular way. Where laws, regulations or binding arrangements with external parties impose terms on the use of transferred assets by the recipient, these terms are stipulations as defined in this IPSAS. A key feature of stipulations, as defined in this Standard, is that an entity cannot impose a stipulation on itself, whether directly or through an entity that it controls.

16.15. Stipulations relating to a transferred asset may be either conditions or restrictions. While conditions and restrictions may require an entity to use or consume the future economic benefits or service potential embodied in an asset for a particular purpose (performance obligation) on initial recognition, only conditions require that future economic benefits or service potential be returned to the transferor in the event that the stipulation is breached (return obligation).

17.16. Stipulations are enforceable through legal or administrative processes. If a term in laws or regulations or other binding arrangements is unenforceable, it is not a stipulation as defined by this Standard. Constructive obligations do not arise from stipulations. IPSAS 19, "Provisions, Contingent Liabilities and Contingent Assets" establishes requirements for the recognition and measurement of constructive obligations.

Conditions on Transferred Assets

18.17. Conditions on transferred assets (hereafter referred to as conditions) require that the entity either consume the future economic benefits or service potential of the asset as specified or return future economic benefits or service potential to the transferor, in the event that the conditions are breached. Therefore, the recipient incurs a present obligation to transfer future economic benefits or service potential to third parties when it initially gains control of an asset subject to a condition. This is because the recipient is unable to avoid the outflow of resources as it is required to

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

consume the future economic benefits or service potential embodied in the transferred asset in the delivery of particular goods or services to third parties or else to return to the transferor future economic benefits or service potential. Therefore, when a recipient initially recognizes an asset that is subject to a condition, the recipient also incurs a liability.

~~19.18.~~ As an administrative convenience, a transferred asset, or other future economic benefits or service potential, may be effectively returned by deducting the amount to be returned from other assets due to be transferred for other purposes. The reporting entity's financial statements will still recognize the gross amounts in its financial statements, that is, the entity will recognize a reduction in assets and liabilities for the return of the asset under the terms of the breached condition, and will reflect the recognition of assets, liabilities and or revenue for the new transfer.

Restrictions on Transferred Assets

~~20.19.~~ Restrictions on transferred assets (hereafter referred to as restrictions) do not include a requirement that the transferred asset, or other future economic benefits or service potential, is to be returned to the transferor if the asset is not deployed as specified. Therefore, gaining control of an asset subject to a restriction does not impose on the recipient a present obligation to transfer future economic benefits or service potential to third parties when control of the asset is initially gained. Where a recipient is in breach of a restriction, the transferor, or another party, may have the option of seeking a penalty against the recipient, by, for example, taking the matter to a court or other tribunal, or through an administrative process such as a directive from a government minister or other authority, or otherwise. Such actions may result in the entity being directed to fulfil the restriction or face a civil or criminal penalty for defying the court, other tribunal or authority. Such a penalty is not incurred as a result of acquiring the asset, but as a result of breaching the restriction.

Substance over Form

~~21.20.~~ In determining whether a stipulation is a condition or a restriction it is necessary to consider the substance of the terms of the stipulation and not merely its form. The mere specification that, for example, a transferred asset is required to be consumed in providing goods and services to third parties or be returned to the transferor is, in itself, not sufficient to give rise to a liability when the entity gains control of the asset.

~~22.21.~~ In determining whether a stipulation is a condition or restriction, the entity considers whether a requirement to return the asset or other future economic benefits or service potential is enforceable and would be enforced by the transferor. If the transferor could not enforce a requirement to return the asset or other future economic benefits or service potential, the

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

stipulation fails to meet the definition of a condition and will be considered a restriction. If past experience with the transferor indicates that the transferor never enforces the requirement to return the transferred asset or other future economic benefits or service potential when breaches have occurred, then the recipient entity may conclude that the stipulation has the form but not the substance of a condition, and is therefore a restriction. If the entity has no experience with the transferor, or has not previously breached stipulations that would prompt the transferor to decide whether to enforce a return of the asset or other future economic benefits or service potential, and it has no evidence to the contrary, it would assume that the transferor would enforce the stipulation and, therefore, the stipulation meets the definition of a condition.

23.22. The definition of a condition imposes on the recipient entity a performance obligation – that is, the recipient is required to consume the future economic benefits or service potential embedded in the transferred asset as specified, or return the asset or other future economic benefits or service potential to the transferor. To satisfy the definition of a condition, the performance obligation will be one of substance not merely form, and is required as a consequence of the condition itself. A term in a transfer agreement that requires the entity to perform an action that it has no alternative but to perform, may lead the entity to conclude that the term is in substance neither a condition nor a restriction. This is because in these cases, the terms of the transfer itself do not impose on the recipient entity a performance obligation.

Example (This example is not authoritative)

The following is an example of a stipulation which specifies the return of a transferred asset if the terms of the transfer are breached, but does not satisfy the definition of a condition, because in substance there is no performance obligation imposed by the terms of the transfer.

A national government makes a cash transfer to a state government social housing entity specifying that it increases the stock of social housing by an additional 1,000 units over and above any other planned increases, uses the cash transfer in other ways to support its social housing objectives or return the cash to the national government. In this case, the transfer term is defined so broadly as to not impose on the recipient a performance obligation – the performance obligation is imposed by the operating mandate of the entity, not by the terms of the transfer.

24.23. To satisfy the criteria for recognition as a liability it is necessary that an outflow of resources will be probable and performance against the condition is required and is able to be assessed. Therefore, a condition will need to specify such matters as the nature or quantity of the goods and

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

services to be provided or the nature of assets to be acquired as appropriate and, if relevant, the periods within which performance is to occur. In addition, performance will need to be monitored by, or on behalf of, the transferor on an ongoing basis. This is particularly so where a stipulation provides for a proportionate return of the equivalent value of the asset if the entity partially performs the requirements of the condition, and the return obligation has been enforced if significant failures to perform have occurred in the past.

25-24. In some cases, an asset may be transferred subject to the stipulation that it be returned to the transferor if a specified future event does not occur. This may occur where, for example, a national government provides funds to a provincial government entity subject to the stipulation that the entity raise a matching contribution. In these cases, a return obligation does not arise until such time as it is expected that the stipulation will be breached and a liability is not recognized until the recognition criteria have been satisfied.

26-25. However, recipients will need to consider whether these transfers are in the nature of an advance receipt. In this Standard “advance receipt” refers to resources received prior to a taxable event or a transfer arrangement becoming binding. Advance receipts give rise to an asset and a present obligation because the transfer arrangement has not yet become binding. Where such transfers are in the nature of an exchange transaction, they will be dealt with in accordance with IPSAS 9, “Revenue from Exchange Transactions”.

Taxes

27-26. Taxes are the major source of revenue for many governments and other public sector entities. Taxes are defined in paragraph 78 as economic benefits compulsorily paid or payable to public sector entities, in accordance with laws or regulation, established to provide revenue to the government, excluding fines or other penalties imposed for breaches of laws or regulation. Non-compulsory transfers to the government or public sector entities such as donations and the payment of fees are not taxes, although they may be the result of non-exchange transactions. A government levies taxation on individuals and other entities, known as taxpayers, within its jurisdiction by use of its sovereign powers.

28-27. Tax laws and regulations can vary significantly from jurisdiction to jurisdiction, but they have a number of common characteristics. Tax laws and regulations establish a government’s right to collect the tax, identify the basis on which the tax is calculated, and establish procedures to administer the tax, that is, procedures to calculate the tax receivable and ensure payment is received. Tax laws and regulations often require taxpayers to file periodic returns to the government agency that administers a particular tax. The taxpayer generally provides details and evidence of the level of

activity subject to tax, and the amount of tax receivable by the government is calculated. Arrangements for receipt of taxes vary widely but are normally designed to ensure that the government receives payments on a regular basis without resorting to legal action. Tax laws are usually rigorously enforced and often impose severe penalties on individuals or other entities breaching the law.

29-28. Advance receipts, being amounts received in advance of the taxable event, may also arise in respect of taxes.

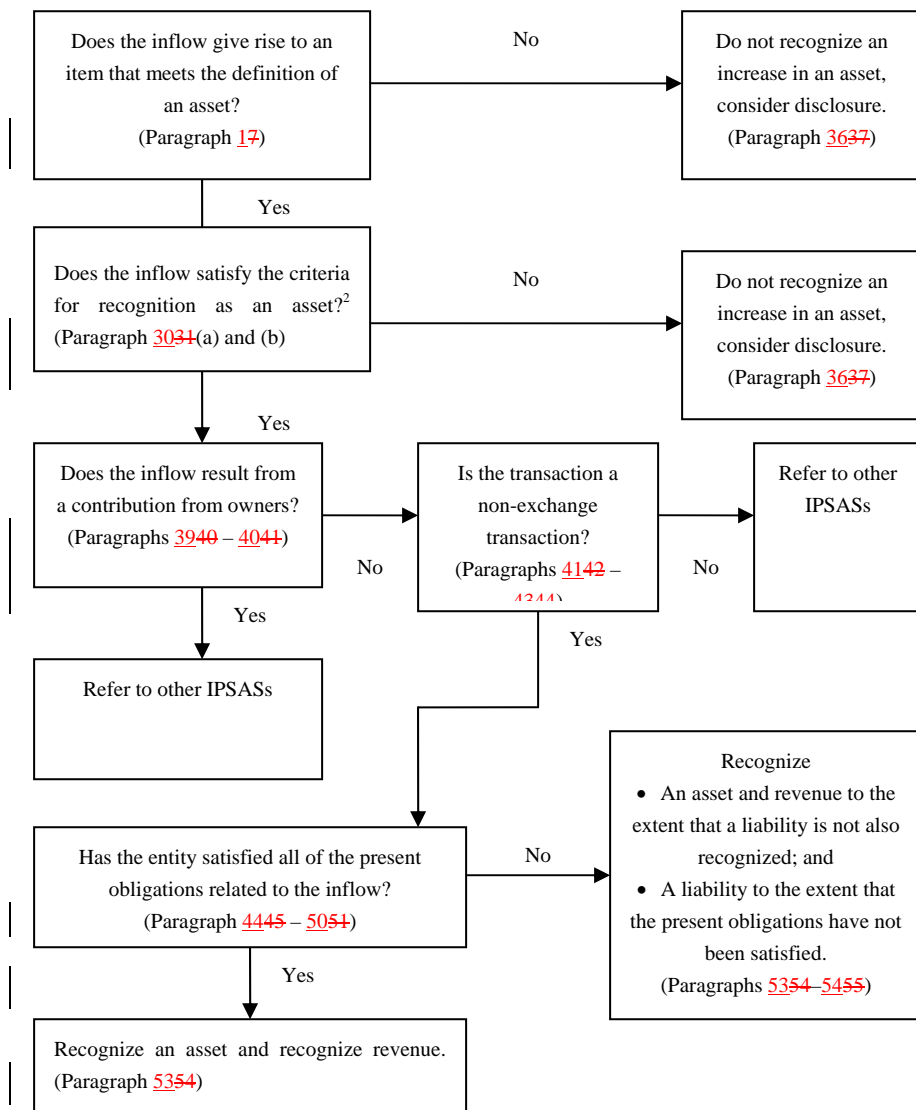
Analysis of the Inflow of Resources from Non-Exchange Transactions

30-29. An entity will recognize an asset arising from a non-exchange transaction when it gains control of resources that meet the definition of an asset and satisfy the recognition criteria. In certain circumstances, such as when a creditor forgives a liability, a decrease in the carrying amount of a previously recognized liability may arise. In these cases, instead of recognizing an asset the entity decreases the carrying amount of the liability. In some cases, gaining control of the asset may also carry with it obligations that the entity will recognize as a liability. Contributions from owners do not give rise to revenue, so each type of transaction is analyzed and any contributions from owners are accounted for separately. Consistent with the approach set out in this Standard, entities will analyze non-exchange transactions to determine which elements of general purpose financial statements will be recognized as a result of the transactions. The flow chart on the following page illustrates the analytic process an entity undertakes when there is an inflow of resources to determine whether revenue arises.¹ This Standard follows the structure of the flowchart. Requirements for the treatment of transactions are set out in paragraphs 3034 to 113444.

¹ The flowchart is illustrative only, it does not take the place of the standards. It is provided as an aid to interpreting the IPSAS.

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

Illustration of the Analysis of Inflows of Resources¹



1. The flowchart is illustrative only, it does not take the place of the standards. It is provided as an aid to interpreting the IPSAS.
2. In certain circumstances, such as when a creditor forgives a liability, a decrease in the carrying amount of a previously recognized liability may arise. In these cases, instead of recognizing an asset the entity decreases the carrying amount of the liability.

Recognition of Assets

31-30. An inflow of resources from a non-exchange transaction that meets the definition of an asset shall be recognized as an asset when, and only when:

- (a) It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- (b) The fair value of the asset can be measured reliably.

32-31. To recognize assets arising as a result of a non-exchange transaction, all the elements in paragraph ~~30-31~~ are required to be satisfied. To meet the definition of an asset requires that the entity obtain control of resources as a result of a past event. In addition, it must be probable that the future economic benefits or service potential will flow to the entity, and that the fair value of the asset can be measured reliably.

Control of an Asset

33-32. The ability to exclude or regulate the access of others to the benefits of an asset is an essential element of control that distinguishes an entity's assets from those public goods that all entities have access to and benefit from. In the public sector, governments exercise a regulatory role over certain activities, for example financial institutions or pension funds. This regulatory role does not necessarily mean that such regulated items meet the definition of an asset of the government, or satisfy the criteria for recognition as an asset in the general purpose financial statements of the government that regulates those assets.

34-33. An announcement of an intention to transfer resources to a public sector entity is not of itself sufficient to identify resources as controlled by a recipient. For example, if a public school were destroyed by a forest fire and the national government announced its intention to appropriate funds to rebuild the school, the school would not recognize an inflow of resources at the time of the announcement. In circumstances where an appropriation is required before resources can be transferred, a recipient entity will not identify resources as controlled until such time as the appropriation is made because the recipient entity cannot exclude or regulate the access of the government to the resources. In many instances, the entity will need to establish enforceability of its control of resources before it can recognize an asset. If an entity does not have an enforceable claim to resources, it cannot exclude or regulate the transferor's access to those resources.

Past Event

35-34. Public sector entities normally obtain assets from governments, other entities including taxpayers, or by purchasing or producing them. Therefore the past event which gives rise to control of an asset may be a purchase, a

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

taxable event, or a transfer. Transactions or events expected to occur in the future do not in themselves give rise to assets – hence for example, an intention to levy taxation is not a past event that gives rise to an asset in the form of a claim against a taxpayer.

Probable Inflow of Resources

36.35. An inflow of resources is “probable” when the inflow is more likely than not to occur. The entity bases this determination on its past experience with similar types of flows of resources and its expectations regarding the taxpayer or transferor. For example, where a government appropriates funds to a public sector entity (reporting entity), the appropriation is enforceable and the government has a history of transferring appropriated resources, it is probable that the inflow will occur, notwithstanding that the appropriated funds have not been transferred at the reporting date.

Contingent Assets

37.36. An item that possesses the essential characteristics of an asset, but fails to satisfy the criteria for recognition may warrant disclosure in the notes as a contingent asset (see IPSAS 19, “Provisions, Contingent Liabilities and Contingent Assets”).

Measurement on Initial Recognition

38.37. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

39.38. Assets acquired through a non-exchange transaction are measured at their fair value as at the date of acquisition. IPSAS 12, “Inventories”, IPSAS 16, “Investment Property” and IPSAS 17, “Property, Plant and Equipment” require assets acquired through non-exchange transactions to be measured at their fair value as at the date of acquisition.¹

Contributions from Owners

40.39. Contributions from owners are defined in paragraph 17. For a transaction to qualify as a contribution from owners, it will be necessary to satisfy the characteristics identified in that definition. In determining whether a transaction satisfies the definition of a contribution from owners, the substance rather than the form of the transaction is considered. Paragraph

¹ This Exposure Draft proposes consequential amendments to IPSASs 12, 16 and 17, which will amend those IPSASs to require assets acquired in a non-exchange transaction to be initially measured at the fair value as at the date of acquisition (see Appendix). IPSAS 12 does not currently address inventory acquired through non-exchange transactions. IPSAS 16 and 17 currently require that where an asset is acquired for no cost or a nominal cost, its cost is its fair value as at the date of acquisition.

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

~~4041~~ indicates the form that contributions from owners may take. If, despite the form of the transaction, the substance is clearly that of a loan or another kind of liability, or revenue, the entity recognizes it as such and makes an appropriate disclosure in the notes to the general purpose financial statements, if material. For example, if a transaction purports to be a contribution from owners, but specifies that the reporting entity will pay fixed distributions to the transferor, with a return of the transferor's investment at a specified future time, the transaction is more characteristic of a loan.

~~41.40.~~ A contribution from owners may be evidenced by, for example:

- (a) A formal designation of the transfer (or a class of such transfers) by the contributor or a controlling entity of the contributor as forming part of the recipient's contributed net assets/equity, either before the contribution occurs or at the time of the contribution;
- (b) A formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets/equity of the recipient which can be sold, transferred or redeemed; or
- (c) The issuance, in relation to the contribution, of equity instruments which can be sold, transferred or redeemed.

Exchange and Non-Exchange Components of Non-Exchange Transactions

~~42.41.~~ Paragraphs ~~4243~~ and ~~4344~~ below address circumstances in which an entity gains control of resources embodying future economic benefits or service potential other than by contributions from owners.

~~43.42.~~ Paragraph ~~78~~ defines exchange transactions and non-exchange transactions and paragraph ~~1044~~ notes that a transaction may include two components, an exchange component and a non-exchange component.

~~44.43.~~ Where an asset is acquired by means of a transaction that has an exchange component and a non-exchange component, the entity recognizes the exchange component according to the principles and requirements of other IPSASs. The non-exchange component is recognized according to the principles and requirements of this Standard.

Present Obligations Recognized as Liabilities

~~45.44.~~ A present obligation arising from a non-exchange transaction that meets the definition of a liability shall be recognized as a liability when, and only when:

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

- (a) **It is probable that an outflow of resources embodying future economic benefits or service potential will be required to settle the obligation; and**
- (b) **A reliable estimate can be made of the amount of the obligation.**

Present Obligation

46.45. A present obligation is a duty to act or perform in a certain way and may give rise to a liability in respect of any non-exchange transaction. Present obligations may be imposed by stipulations in laws or regulations or binding arrangements establishing the basis of transfers. They may also arise from the normal operating environment, such as the recognition of advance receipts.

47.46. In many instances, taxes are levied and assets are transferred to public sector entities in non-exchange transactions pursuant to laws, regulation or other binding arrangements that impose stipulations that they be used for particular purposes. For example:

- (a) Taxes, the use of which is limited by laws or regulations to specified purposes;
- (b) Transfers, established by a binding arrangement that includes conditions:
 - (i) From national governments to provincial, state or local governments;
 - (ii) From state/provincial governments to local governments;
 - (iii) From governments to other public sector entities;
 - (iv) To governmental agencies that are created by laws or regulation to perform specific functions with operational autonomy, such as statutory authorities or regional boards or authorities; and
 - (v) From donor agencies to governments or other public sector entities.

48.47. In the normal course of operations, a public sector entity may accept resources prior to a taxable event occurring. In such circumstances, a liability of an amount equal to the amount of the advance receipt is recognized until the taxable event occurs.

49.48. If a reporting entity receives resources prior to the existence of a binding transfer arrangement, it recognizes a liability for an advance receipt until such time as the arrangement becomes binding.

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

Conditions on a Transferred Asset

50.49. Conditions on a transferred asset give rise to a present obligation on initial recognition that will be recognized in accordance with paragraph 4445.

51.50. Stipulations are defined in paragraph 78. Paragraphs 1415 – 2526 provide guidance on determining whether a stipulation is a condition or a restriction. An entity analyzes any and all stipulations attached to an inflow of resources, to determine whether those stipulations impose conditions or restrictions.

Measurement of Liabilities on Initial Recognition

52.51. The amount recognized as a liability shall be the best estimate of the amount required to settle the present obligation at the reporting date.

53.52. The estimate takes account of the risks and uncertainties that surround the events causing the liability to be recognized. Where the time value of money is material, the liability will be measured at the present value of the amount expected to be required to settle the obligation. This requirement is in accordance with the principles established in IPSAS 19, “Provisions, Contingent Liabilities and Contingent Assets”.

Recognition of Revenue from Non-Exchange Transactions

54.53. An inflow of resources from a non-exchange transaction recognized as an asset shall be recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

55.54. As an entity satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it shall reduce the carrying amount of the liability recognized and recognize an amount of revenue equal to that reduction.

56.55. When an entity recognizes an increase in net assets as a result of a non-exchange transaction, it recognizes revenue. If it has recognized a liability in respect of the inflow of resources arising from the non-exchange transaction, when the liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, it recognizes revenue. If an inflow of resources satisfies the definition of contributions from owners, it is not recognized as a liability or revenue.

57.56. The timing of revenue recognition is determined by the nature of the conditions and their settlement. For example, if a condition specifies that the entity is to provide goods or services to third parties, or return unused funds to the transferor, revenue is recognized as goods or services are provided.

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

Measurement of Revenue from Non-Exchange Transactions

58.57. Revenue from non-exchange transactions shall be measured at the amount of the increase in net assets recognized by the entity as at the date of initial recognition of assets arising from the non-exchange transaction.

59.58. When, as a result of a non-exchange transaction, an entity recognizes an asset, it also recognizes revenue equivalent to the amount of the asset measured in accordance with paragraph 38, unless it is also required to recognize a liability. Where a liability is required to be recognized it will be measured in accordance with the requirements of paragraph 51.52, and the amount of the increase in net assets, if any, recognized as revenue. When a liability is subsequently reduced, because the taxable event occurs, or a condition is satisfied, the amount of the reduction in the liability will be recognized as revenue.

Taxes

60.59. An entity shall recognize an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

61.60. Resources arising from taxes satisfy the definition of an asset when the entity controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

62.61. Taxation revenue arises only for the government that imposes the tax, and not for other entities. For example, where the national government imposes a tax that is collected by its taxation agency, assets and revenue accrue to the government, not the taxation agency. Further, where a national government imposes a sales tax, the entire proceeds of which it passes to state governments, based on a continuing appropriation, the national government recognizes assets and revenue for the tax, and a decrease in assets and an expense for the transfer to state governments. The state governments will recognize assets and revenue for the transfer. Where a single entity collects taxes on behalf of several other entities, it is acting as an agent for all of them. For example, where a state taxation agency collects income tax for the state government and several city governments, it does not recognize revenue in respect of the taxes collected – rather, the individual governments that impose the taxes recognize assets and revenue in respect of the taxes.

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

63-62. Taxes do not satisfy the definition of “contributions from owners”, because the payment of taxes does not give the taxpayers a right to receive distributions of future economic benefits or service potential by the entity during its life or distribution of any excess of assets over liabilities in the event of the government being wound up. Nor does the payment of taxes provide taxpayers with an ownership right in the government that can be sold, exchanged, transferred or redeemed.

64-63. Taxes satisfy the definition of “non-exchange transaction” because the taxpayer transfers resources to the government, without receiving approximately equal value directly in exchange. Whilst the taxpayer may benefit from a range of social policies established by the government, these are not provided directly in exchange as consideration for the payment of taxes.

65-64. As noted in paragraph 4647, some taxes are levied for specific purposes. If the government is required to recognize a liability in respect of any conditions relating to assets recognized as a consequence of specific purpose tax levies, it does not recognize revenue until the condition is satisfied and the liability is reduced. However, in most cases taxes, levied for specific purposes are not expected to give rise to a liability because the specific purposes amount to restrictions not conditions.

The Taxable Event

66-65. Similar types of taxes are levied in many jurisdictions. The reporting entity analyzes the taxation law in its own jurisdiction to determine what the taxable event is for the various taxes levied. Unless otherwise specified in laws or regulations, it is likely that the taxable event for:

- (a) Income tax is the earning of assessable income during the taxation period by the taxpayer;
- (b) Value added tax is the undertaking of taxable activity during the taxation period by the taxpayer;
- (c) Goods and services tax is the purchase or sale of taxable goods and services during the taxation period;
- (d) Customs duty is the movement of dutiable goods or services across the customs boundary;
- (e) Death duty is the death of a person owning taxable property; and
- (f) Property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

Advance Receipts of Taxes

67-66. Consistent with the definitions of “assets”, “liabilities” and the requirements of paragraph 5960, resources for taxes received prior to the occurrence of the taxable event are recognized as an asset and a liability (advance receipts) because the past event that gives rise to the entity’s control of the asset has not occurred, notwithstanding that the entity has already received an inflow of resources. Advance receipts in respect of taxes are not fundamentally different from other advance receipts, so a liability is recognized until the taxable event occurs. When the taxable event occurs, the liability is discharged and revenue is recognized.

Measurement of Assets Arising from Taxation Transactions

68-67. Paragraph 3738 requires that assets arising from taxation transactions be measured at their fair value as at the date of acquisition. Reporting entities will develop accounting policies for the measurement of assets arising from taxation transactions that conform with the requirements of paragraph 3738. The accounting policies for the measurement of these assets will take account of both the probability that the resources arising from taxation transactions will flow to the government, and the fair value of the resultant assets.

69-68. Where there is a separation between the timing of the taxable event and collection of taxes, public sector entities may reliably measure assets arising from taxation transactions by using, for example, statistical models based on the history of collecting the particular tax in prior periods. These models will include consideration of the timing of cash receipts from taxpayers, declarations made by taxpayers and the relationship of taxation receivable to other events in the economy. Measurement models will also take account of other factors such as:

- (a) The tax law allowing taxpayers a longer period to file returns than the government is permitted for publishing general purpose financial statements;
- (b) Taxpayers failing to file returns on a timely basis;
- (c) Valuing non-monetary assets for tax assessment purposes;
- (d) Complexities in tax law requiring extended periods for assessing taxes due from certain taxpayers;
- (e) The potential that the financial and political costs of rigorously enforcing the tax laws and collecting all the taxes legally due to the government may outweigh the benefits received;
- (f) The tax law permitting taxpayers to defer payment of some taxes; and

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

- (g) A variety of circumstances particular to individual taxes and jurisdictions.

~~70-69.~~ Measuring assets and revenue arising from taxation transactions using statistical models may result in the actual amount of assets and revenue recognized being different from the amounts determined in subsequent reporting periods as being due from taxpayers in respect of the current reporting period. Revisions to estimates are made in accordance with IPSAS 3, “Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies”.

~~71-70.~~ In some cases the assets arising from taxation transactions and the related revenue cannot be reliably measured until some time after the taxable event occurs. This may occur if a tax base is volatile and reliable estimation is not possible. In many cases, the assets and revenue may be recognized in the period subsequent to the occurrence of the taxable event. However, there are exceptional circumstances when several reporting periods will pass before a taxable event results in an inflow of resources embodying future economic benefits or service potential that meets the definition of an asset and satisfies the criteria for recognition as an asset. For example, it may take several years to determine and reliably measure the amount of death duty due in respect of a large deceased estate because it includes a number of valuable antiques and artworks, which require specialist valuations. Consequently the recognition criteria may not be satisfied until payment is received or receivable.

Expenses Paid Through the Tax System and Tax Expenditures

~~72-71.~~ **Taxation revenue shall be determined at a gross amount. It shall not be reduced for expenses paid through the tax system.**

~~73-72.~~ In some jurisdictions, the government uses the tax system as a convenient method of paying to taxpayers benefits, which would otherwise be paid using another payment method, such as writing a check, directly depositing the amount in a taxpayer’s bank account, or settling another account on behalf of the taxpayer. For example, a government may pay part of residents’ health insurance premiums, to encourage the uptake of such insurance, either by reducing the individual’s tax liability, making a payment by check or by paying an amount directly to the insurance company. In these cases, the amount is payable irrespective of whether the individual pays taxes. Consequently this amount is an expense of the government and should be recognized separately in the statement of financial performance. Tax revenue should be increased for the amount of any of these expenses paid through the tax system.

~~74-73.~~ **Taxation revenue shall not be grossed up for the amount of tax expenditures.**

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

~~75.74.~~ In most jurisdictions, governments use the tax system to encourage certain financial behavior and discourage other behavior. For example, in some jurisdictions, home owners are permitted to deduct mortgage interest and property taxes from their gross income when calculating tax assessable income. These types of concessions are available only to taxpayers. If an entity (including a natural person) does not pay tax, it cannot access the concession. These types of concessions are called tax expenditures. Tax expenditures are foregone revenue, not expenses, and do not give rise to inflows or outflows of resources – that is, they do not give rise to assets, liabilities, revenue or expenses of the taxing government.

~~76.75.~~ The key distinction between expenses paid through the tax system and tax expenditures is that for expenses paid through the tax system, the amount is available to recipients irrespective of whether they pay taxes, or use a particular mechanism to pay their taxes. IPSAS 1, “Presentation of Financial Statements”, prohibits the offsetting of items of revenue and expense unless permitted by another Standard. The offsetting of tax revenue and expenses paid through the tax system is not permitted.

Transfers

~~77.76.~~ **Subject to paragraph 9899, an entity shall recognize an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.**

~~78.77.~~ Transfers include grants, debt forgiveness, fines, bequests, gifts, donations and goods and services in-kind. All these items have the common attribute that they transfer resources from one entity to another without providing approximately equal value in exchange and are not taxes as defined in this Standard.

~~79.78.~~ Transfers satisfy the definition of an asset when the entity controls the resources as a result of a past event (the transfer) and expects to receive future economic benefits or service potential from those resources. Transfers satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. In certain circumstances, such as when a creditor forgives a liability, a decrease in the carrying amount of a previously recognized liability may arise. In these cases, instead of recognizing an asset as a result of the transfer, the entity decreases the carrying amount of the liability.

~~80.79.~~ An entity obtains control of transferred resources either when the resources have been transferred to the entity, or the entity has an enforceable claim against the transferor. Many arrangements to transfer resources become binding on all parties before the transfer of resources takes place. However, sometimes one entity promises to transfer resources, but fails to do so. Consequently only when a claim is enforceable, and the entity assesses that

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

it is probable that the inflow of resources will occur will assets, liabilities and or revenue be recognized. Until that time, the entity cannot exclude or regulate the access of third parties to the benefits of the resources proposed for transfer.

81-80. Transfers of resources that satisfy the definition of “contributions from owners” will not give rise to revenue. Agreements that specify that the entity providing resources is entitled to distributions of future economic benefits or service potential during the recipient entity’s life, or distribution of any excess of assets over liabilities in the event that the recipient entity is wound up, or that specify that the entity providing resources acquires a financial interest in the recipient entity that can be sold, exchanged, transferred or redeemed, are, in substance, agreements to make a contribution from owners.

82-81. Transfers satisfy the definition of “non-exchange transactions” because the transferor provides resources to the recipient entity without the recipient entity providing approximately equal value directly in exchange. If an agreement stipulates that the recipient entity is to provide approximately equal value in exchange, the agreement is not a transfer agreement, but a contract for an exchange transaction that should be accounted for under IPSAS 9, “Revenue from Exchange Transactions”.

83-82. An entity analyzes all stipulations contained in transfer agreements to determine if it incurs a liability when it accepts transferred resources.

Measurement of Transferred Assets

84-83. As required by paragraph 3738, transferred assets are measured at their fair value as at the date of acquisition. Entities develop accounting policies for the recognition and measurement of assets that are consistent with IPSASs. As noted previously, inventories, property, plant, equipment or investment property acquired through non-exchange transactions are to be initially measured at their fair value as at the date of acquisition in accordance with the requirements of IPSASs 12, 16 and 17.¹ Financial instruments, including cash and transfers receivable that satisfy the definition of a financial instrument, and other assets will also be measured at fair value as at the date of acquisition in accordance with paragraph 3738 and the appropriate accounting policy.

¹ Appendix 1 proposes amendments to IPSASs 12, 16 and 17 to require that on initial recognition inventories, investment property and property, plant and equipment acquired in a non-exchange transaction be measured at fair value as at the date of acquisition.

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

Debt Forgiveness and Assumption of Liabilities

- 85.84. Lenders will sometimes waive their right to collect a debt owed by a public sector entity, effectively canceling the debt. For example, a national government may cancel a loan owed by a local government. In such circumstances, the local government recognizes an increase in net assets because a liability it previously recognized is extinguished.
- 86.85. Entities recognize revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.
- 87.86. Where a controlling entity forgives debt owed by a wholly owned controlled entity, or assumes its liabilities, the transaction may be a contribution from owners, as described in paragraphs 3940 – 4041.
- 88.87. Revenue arising from debt forgiveness is measured at the fair value of the debt forgiven. This will normally be the carrying amount of the debt forgiven.

Fines

- 89.88. Fines are economic benefits or service potential received or receivable by a public sector entity, from an individual or other entity, as determined by a court or other law enforcement body, as a consequence of the individual or other entity breaching the requirements of laws or regulations. In some jurisdictions law enforcement officials are able to impose fines on individuals considered to have breached the law. In these cases, the individual will normally have the choice of paying the fine, or going to court to defend the matter. Where a defendant reaches an agreement with a prosecutor that includes the payment of a penalty instead of being tried in court, the payment is recognized as a fine.
- 90.89. Fines normally require an entity to transfer a fixed amount of cash to the government and do not impose on the government any obligations which may be recognized as a liability. As such, fines are recognized as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset set out in paragraph 3034. As noted in paragraph 1243, where an entity collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity. Fines are measured at the fair value of the ~~resources received or receivable~~ change in net assets.

Bequests

- 91.90. A bequest is a transfer made according to the provisions of a deceased person's will. The past event giving rise to the control of resources embodying future economic benefits or service potential for a bequest occurs when the entity has an enforceable claim, for example on the death

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

of the testator, or the granting of probate, depending on the laws of the jurisdiction.

92.91. Bequests which satisfy the definition of an asset are recognized as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably. Determining the probability of an inflow of future economic benefits or service potential may be problematic if a period of time elapses between the death of the testator and the entity receiving any assets. The entity will need to determine if the deceased person's estate is sufficient to meet all claims on it, and satisfy all bequests. If the will is disputed, this will also affect the probability of assets flowing to the entity.

93.92. The fair value of bequeathed assets is determined in the same manner as for gifts and donations, as is described in paragraph 97.98. In jurisdictions where deceased estates are subject to taxation, the tax authority may already have determined the fair value of the asset bequeathed to the entity, and this amount may be available to the entity. Bequests are measured at the fair value of the change in net assets~~resources received or receivable~~.

Gifts and Donations, including Goods In-kind

94.93. Gifts and donations are voluntary transfers of assets including cash or other monetary assets, goods in-kind and services in-kind that one entity makes to another, normally free from stipulations. The transferor may be an ~~entity~~ entity or an individual. For gifts and donations of cash or other monetary assets and goods in-kind, the past event giving rise to the control of resources embodying future economic benefits or service potential is normally the receipt of the gift or donation. Recognition of gifts or donations of services in-kind are addressed in paragraphs 98.99 - 102.103 below.

95.94. Goods in-kind are tangible assets transferred to an entity in a non-exchange transaction, without charge, but may be subject to stipulations. External assistance provided by multilateral or bilateral development organizations often includes a component of goods in-kind.

96.95. Gifts and donations (other than services in-kind) are recognized as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably. With gifts and donations, the making of the gift or donation and the transfer of legal title are often simultaneous, in such circumstances, there is no doubt as to the future economic benefits flowing to the entity.

97.96. Goods in-kind are recognized as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

conditions are attached, a liability is recognized, which is reduced and revenue recognized as the conditions are satisfied.

98-97. On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which may be ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair value will be readily ascertainable by reference to quoted prices in an active and liquid market. For example, current market prices can usually be obtained for land, non-specialized buildings, motor vehicles and many types of plant and equipment.

Services In-kind

99-98. **An entity may, but is not required to, recognize services in-kind as revenue and as an asset.**

100-99. Services in-kind are services provided by individuals to public sector entities in a non-exchange transaction. These services meet the definition of an asset because the entity controls a resource from which future economic benefits or service potential are expected to flow to the entity. These assets are, however, immediately consumed and a transaction of equal value is also recognized to reflect the consumption of these services in-kind. For example, a public school that receives volunteer services from teachers' aides, the fair value of which can be reliably measured, may recognize an increase in an asset and revenue; and a decrease in an asset and an expense. In many cases, the entity will recognize an expense for the consumption of services in-kind. However, services in-kind may also be utilized to construct an asset, in which case the amount recognized in respect of services in-kind is included in the cost of the asset being constructed.

101-100. Public sector entities may be recipients of services in-kind under voluntary or non-voluntary schemes operated in the public interest, for example:

- (a) Technical assistance from other governments or international organizations;
- (b) Persons convicted of offenses may be required to perform community service for a public sector entity;
- (c) Public hospitals may receive the services of volunteers;
- (d) Public schools may receive voluntary services from parents as teachers' aides or as board members; and

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

- (e) Local governments may receive the services of volunteer fire fighters.

~~102.101.~~ Some services in-kind do not meet the definition of an asset because the entity has insufficient control over the services provided. In other circumstances, the entity may have control over the services in-kind, but may not be able to measure them reliably, and thus they fail to satisfy the criteria for recognition as an asset. Entities may, however, be able to measure the fair value of certain services in-kind, such as professional or other services in-kind which are otherwise readily available in the national or international marketplace. When determining the fair value of the types of services in-kind described in paragraph ~~100+01~~, the entity may conclude that the value of the services is not material. In many instances, services in-kind are rendered by persons with little or no training and are fundamentally different from the services the entity would acquire if the services in-kind were not available.

~~103.102.~~ Due to the many uncertainties surrounding services in-kind, including the ability to exercise control over the services, and measuring the fair value of the services, this Standard does not require the recognition of services in-kind. Paragraph ~~107+07~~, however, ~~requires-encourages~~ the disclosure of the nature and type of services in-kind received during the reporting period. As for all disclosures, disclosures relating to services in-kind are only made if they are material. For some public sector entities, the services provided by volunteers are not material in amount, but may be material by nature.

Pledges

~~104.103.~~ Pledges are unenforceable undertakings to transfer assets to the recipient entity. Pledges do not meet the definition of an asset because the recipient entity is unable to control the access of the transferor to the future economic benefits or service potential embodied in the item pledged. Entities do not recognize pledged items as assets or revenue. If the pledged item is subsequently transferred to the recipient entity, it is recognized as a gift or donation, in accordance with paragraphs ~~9394 – 9798~~ above. Pledges may warrant disclosure as contingent assets under the requirements of IPSAS 19, “Provisions, Contingent Liabilities and Contingent Assets.”

Advance Receipts of Transfers

~~105.104.~~ Where an entity receives resources before a transfer arrangement becomes binding, the resources are recognized as an asset when they meet the definition of an asset and satisfy the criteria for recognition as an asset. The entity will also recognize an advance receipt liability if the transfer arrangement is not yet binding. Advance receipts in respect of transfers are not fundamentally different from other advance receipts, so a liability is

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

recognized until the past event which makes the transfer arrangement binding has occurred, ~~and all other obligations under the agreement are fulfilled~~. When that past event occurs the liability is discharged and revenue is recognized. Where a transfer, such as a gift or donation, is not the subject of an agreement, revenue is recognized when the transferred resources are recognized as assets.

Disclosures

~~106.105.~~ **An entity shall disclose either on the face of, or in the notes to, the general purpose financial statements:**

- (a) **The amount of revenue from non-exchange transactions recognized during the period by major classes showing separately:**
 - (i) **Taxes, showing separately major classes of taxes; and**
 - (ii) **Transfers, showing separately major classes of transfer revenue.**
- (b) **The amount of receivables recognized in respect of non-exchange revenue.**
- (c) **The amount of liabilities recognized in respect of transferred assets subject to conditions.**
- (d) **The amount of assets recognized that are subject to restrictions, and the nature of those restrictions.**
- (e) **The existence and amounts of any advance receipts in respect of non-exchange transactions.**
- ~~(f) **The amount of any liabilities forgiven.**~~

~~107.106.~~ **An entity shall disclose in the notes to the general purpose financial statements:**

- (a) **The accounting policies adopted for the recognition of revenue from non-exchange transactions.**
- (b) **For major classes of revenue from non-exchange transactions, the basis on which the fair value of inflowing resources was measured.**
- (c) **For major classes of taxation revenue which the entity cannot measure reliably during the period in which the taxable event occurs, information about the nature of the tax.**
- (d) **The nature and type of major classes of bequests, gifts, donations showing separately major classes of goods in-kind received.**

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

~~108.107.~~ Entities are encouraged to disclose ~~The the~~ nature and type of major classes of services in-kind received, including those not recognized. The disclosures required by paragraphs ~~105+06~~ and ~~106+07~~ assist the reporting entity to satisfy the objectives of financial reporting, as set out in IPSAS 1, "Presentation of Financial Statements", which is to provide information useful for decision making, and to demonstrate the accountability of the entity for the resources entrusted to it.

~~109.108.~~ Disclosure of the major classes of revenue assists users to make informed judgments about the entity's exposure to particular revenue streams.

~~110.109.~~ Conditions and restrictions impose limits on the use of assets, which impacts the operations of the entity. Disclosure of the amount of liabilities recognized in respect of conditions and the amount of assets subject to restrictions, assists users in making judgments about the ability of the entity to use its assets at its own discretion. Entities are encouraged to disaggregate by class the information required to be disclosed by paragraph ~~105+06~~(c).

~~111.110.~~ Paragraph 106 (e) requires entities to disclose the existence of advance receipts in respect of non-exchange transactions. These liabilities carry the risk that the entity will have to make a sacrifice of future economic benefits or service potential if the taxable event does not occur, or a transfer arrangement does not become binding. Disclosure of these advance receipts assists users to make judgements about the entity's future revenue and net asset position.

~~112.111.~~ As noted in paragraph ~~6869~~, in many cases an entity will be able to reliably measure assets and revenue arising from taxation transactions, using, for example, statistical models. However, there may be exceptional circumstances where an entity is unable to reliably measure the assets and revenue arising until one or more reporting periods has elapsed since the taxable event occurred. In these cases, the entity makes disclosures about the nature of major classes of taxation that cannot be reliably measured, and therefore recognized, during the reporting period in which the taxable event occurs. These disclosures assist users to make informed judgements about the entity's future revenue and net asset position.

~~113.112.~~ Paragraph 107 (d) requires entities to make disclosures about the nature and type of major classes of gifts, donations and bequests it has received. These inflows of resources are received at the discretion of the transferor, which exposes the entity to the risk that in future periods, such sources of resources may change significantly. Such disclosures assist users to make informed judgements about the entity's future revenue and net asset position.

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

114.113. Where services in-kind meet the definition of an asset and satisfy the criteria for recognition as an asset, entities may elect to recognize these services in-kind and measure them at their fair value. Paragraph ~~107(e)~~**108** ~~requires encourages~~ an entity to make disclosures about the nature and type of all services in-kind received, whether they are recognized or not. ~~This~~ **Such disclosures may** ~~will~~ assist users to make informed judgments about the contribution made by such services to the achievement of the entity's objectives during the reporting period, and the entity's dependence on such services for the achievement of its objectives in the future.

Transitional Provisions

115.114. Entities are not required to change their accounting policies in respect of the recognition and measurement of taxation revenue for reporting periods beginning on a date within five years following the date of first adoption of this Standard.

116.115. Changes in accounting policies in respect of the recognition and measurement of taxation revenue made before the expiration of the five year period permitted in paragraph ~~114~~**115**, shall only be made to better conform to the accounting policies ~~with of~~ this Standard. Entities may change their accounting policies in respect of taxation revenue, on a class by class basis.

117.116. When an entity takes advantage of the transitional provision in paragraph ~~114~~**115**, that fact shall be disclosed. The entity shall also disclose which classes of taxation revenue are recognized in accordance with this Standard, which have been recognized under an accounting policy that is not consistent with the requirements of this Standard, and the entity's progress towards implementation of accounting policies that are consistent with this Standard. The entity shall disclose its plan for implementing accounting policies that are consistent with this Standard.

118.117. When an entity takes advantage of the transitional provisions for a second or subsequent reporting period, details of the classes of taxation revenue previously recognized on another basis, but which are now recognized in accordance with this Standard, shall be disclosed.

119.118. Entities may adopt accounting policies for the recognition of taxation revenue that do not comply with the provisions of this Standard. The transitional provision is intended to allow entities a period to develop reliable models for measuring taxation revenue. The transitional provisions allow entities to apply this Standard incrementally to different classes of taxation revenue. For example, entities may be able to recognize and measure property taxes in accordance with this Standard from the date of

REVENUE FROM NON-EXCHANGE TRANSACTIONS
(INCLUDING TAXES AND TRANSFERS)

application, but may require five years to fully develop a reliable model for measuring income tax revenue.

~~120.119.~~ When an entity takes advantage of the transitional provisions in this Standard, its accounting policies for each class of taxation revenue may only be changed to better conform to this Standard. An entity may retain its existing tax accounting policies until it decides to fully apply the provisions of this Standard or until the transitional provision expires, whichever is earlier, or it may change them to apply the requirements of this Standard progressively. An entity may, for example, change from a policy of recognition on a cash basis, to a modified cash or modified accrual basis before it fully applies this Standard.

~~121.120.~~ The disclosure requirements of paragraph ~~116.117~~ assist users to track the progress of the entity in conforming its accounting policies to the requirements of this IPSAS during the reporting periods in which the transitional provisions apply. This disclosure facilitates the objective of full accountability and transparency.

~~122.121.~~ When an entity takes advantage of the transitional provision, it is required to disclose its plan for implementing tax accounting policies that are consistent with this Standard so that users can assess the performance of the entity in implementing this Standard, and so that users can be informed of the time frame the entity anticipates using to develop a comprehensive set of accounting policies that are consistent with this Standard.

Effective Date

~~123.122.~~ This International Public Sector Accounting Standard becomes effective for annual financial statements covering periods beginning on or after ~~Month-June XX30, XXXX-2008~~ (twelve months from the date of issue). Earlier application is encouraged. If an entity applies this Standard for periods beginning before ~~Month-June XX30, XXXX2008~~, it shall disclose that fact.

~~124.123.~~ When an entity adopts the accrual basis of accounting, as defined by International Public Sector Accounting Standards, for financial reporting purposes, subsequent to this effective date, this Standard applies to the entity's annual financial statements covering periods beginning on or after the date of adoption.

Appendix

Amendments to Other IPSASs

IPSAS 12, “Inventories”

- A1. In IPSAS 12, “Inventories”, the definitions of “exchange transactions” and “non-exchange transaction” are to be inserted into paragraph 6.
- A2. In IPSAS 12 the following paragraph is to be inserted between paragraphs 11 and 12:
 - 11A. **Where inventory is acquired through a non-exchange transaction, its cost is shall be measured at its fair value as at the date of acquisition.**
- A3. In IPSAS 12, the following paragraph is to be inserted between paragraphs 24 and 25:

Inventory Acquired Through a Non-Exchange Transaction

- 24A. Inventories may be transferred to the entity by means of a non-exchange transaction. For example, an international aid agency may donate medical supplies to a public hospital in the aftermath of a natural disaster. Under such circumstances, the cost of the inventory is its fair value as at the date it is acquired.

IPSAS 16, “Investment Property”

- A4. In IPSAS 16, “Investment Property”, the definitions of “exchange transactions” and “non-exchange transaction” are to be inserted into paragraph 6.
- A5. In IPSAS 16, paragraphs 23 and 28 are to be amended as follows:
 - 23. **Where an investment property is acquired ~~at no cost, or for a nominal cost through a non-exchange transaction,~~ its cost shall be measured at its fair value as at the date of acquisition.**
 - 28. An investment property may ~~be acquired through a non-exchange transaction be gifted or contributed to the entity.~~ For example, a national government may transfer at no charge a surplus office building to a local government entity, which then lets it out at market rent. An investment property may also be acquired ~~for no cost, or for a nominal cost, through~~ through a non-exchange transaction by the exercise of powers of sequestration. In these circumstances, the cost of the property is its fair value as at the date it is acquired.

IPSAS 17, “Property, Plant and Equipment”

- A6. In IPSAS 17, “Property, Plant and Equipment”, the definitions of “exchange transactions” and “non-exchange transaction” are to be inserted into paragraph 12.
- A7. In IPSAS 17, paragraphs 23 and 24 are to be amended as follows:
- 23. Where an asset is acquired at no cost, or for a nominal cost through a non-exchange transaction, its cost shall be measured at ~~is~~ its fair value as at the date of acquisition.**
24. An item of property, plant and equipment may be ~~gifted or contributed to the entity~~ acquired through a non-exchange transaction. For example, land may be contributed to a local government by a developer at nil or nominal consideration, to enable the local government to develop parks, roads and paths in the development. An asset may also be acquired ~~at nil or nominal consideration through~~ through a non-exchange transaction by the exercise of powers of sequestration. Under these circumstances the cost of the item is its fair value as at the date it is acquired.

Implementation Guidance

Measurement of Revenue from Non-Exchange Transactions — Examples

This guidance accompanies, but is not part of IPSAS XX.

Example 1: Income Tax (Paragraph ~~6566~~)

- IG1. A national government (reporting entity) imposes a 25 percent tax on personal income earned within the country. Employers are required to withhold taxes from payroll and remit withholdings on a monthly basis. Individuals with significant non-salary (for example, investment) income are required to make estimated tax payments on a quarterly basis. In addition, individuals must file a tax return with the taxation department by April 15 of the year following the tax year (calendar year) and must pay the remaining tax owed (or claim a refund) at that time. The government's reporting period ends on June 30.
- IG2. The government controls a resource – income tax receivable – when the taxable event occurs, which is the earning of assessable income by taxpayers. At the end of the reporting period, the government recognizes assets and revenue in respect of personal income tax on the income earned during the reporting period to the extent that it can reliably measure it. Assets and revenue will also be recognized in respect of income taxes on income earned in prior periods, but which did not meet the definition of, or satisfy the criteria for recognition as, an asset until the current reporting period.

Example 2: Measurement of Taxation Revenue (Paragraphs ~~6768~~ - ~~7074~~)

- IG3. A national government (reporting entity) levies income tax on the personal income of all persons earning income within its jurisdiction. The tax was first levied some seventy years before the current reporting period, and taxation statistics are available for the entire seventy year period. The tax year and the reporting period are January 1 to December 31. Taxpayers have until April 30 each year to file their tax return, and until June 30 to pay any outstanding taxes. The government is required by legislation to present audited consolidated general purpose financial statements to the legislature no later than March 31.
- IG4. Income tax revenue should be recognized in the reporting period in which the taxable event occurred, that is, the earning of taxable income. As the tax administration system does not enable the government to directly measure income tax receivable until after its general purpose financial statements are issued, the government develops a model to indirectly measure income taxation revenue receivable. The government uses the income tax collection

history it has in the taxation statistics, which it compares to other observable phenomena to develop a reliable model. Other phenomena can include other economic statistics, such as gross domestic product, financial phenomena such as income tax installments deducted by employers, sales tax collections (if it levies such a tax) and banking statistics collected by the central bank. This government may enlist the assistance of econometricians in developing the model, and the external auditor tests the validity of the model in accordance with International Standards on Auditing.

- IG5. The model enables the reporting entity to reliably measure the assets and revenue accruing to it during the reporting period, which are then recognized and disclosed in the general purpose financial statements. The notes to the general purpose financial statements disclose the accounting policies, including the basis of measurement of income tax revenue.

Example 3: Value Added Tax (Paragraph 6566)¹

- IG6. A national government (reporting entity) imposes a value added tax (VAT) on all businesses. The tax is 15 percent of the value added and is collected by merchants from customers (taxpayers) at the time of sale. Large and medium sized businesses are required to submit VAT returns electronically to the tax department on a weekly basis; however, small businesses are permitted to submit VAT returns manually on a quarterly basis.
- IG7. The government controls a resource – VAT receivable – when the taxable event occurs, which is the undertaking of taxable activity, that is, the sale of value added goods or services, during the reporting period. The government recognizes assets and revenue in the general purpose financial statements of the reporting period in which the taxable activity takes place, or later, as soon as it can reliably measure the tax receivable.

Example 4: Goods and Services Tax (Paragraph 6566)

- IG8. A national government (reporting entity) imposes a goods and services tax (GST) on sales of goods and services. The tax is 10 percent of the value of goods and services sold. Most sellers of goods and services are required to electronically submit GST returns to the tax department on a weekly basis. However, small businesses are permitted to manually submit GST returns on a quarterly basis.
- IG9. The government controls a resource – GST receivable – when the taxable event occurs, which is the sale of taxable goods and services during the reporting period. The government recognizes assets and revenue in the general purpose financial statements of the reporting period in which the

¹ Some jurisdictions use the terms “Value Added Tax (VAT)” and “Goods and Services Tax (GST)” interchangeably.

sales and purchases take place or, if the tax receivable cannot be reliably measured as at the end of the reporting period, later, as soon as it can reliably measure the tax receivable.

Example 5: Customs Duty (Paragraph 6566)

IG10. A national government (reporting entity) imposes customs duty of 10% on all imports of goods. The duties vary depending on the type of goods imported, and are set at levels to ensure that domestically produced goods are cheaper in the retail market. Imported goods are held in bonded warehouses until the importer pays the duty. Importers are required to make import declarations to the customs department, and pay the duty immediately. Most importers submit these declarations electronically before the goods arrive, and make electronic funds transfers to the customs department when the goods are unloaded from ships or aircraft, or as trains or trucks pass the customs boundary.

IG11. The government controls a resource – duty receivable – when the taxable event occurs, which is the movement of goods across the customs boundary. The government recognizes assets and revenue in the general purpose financial statements of the reporting period in which the goods move across the boundary, or later, as soon as it can reliably measure the duty receivable.

Example 6: Death Duties (Paragraph 6566)

IG12. A national government (reporting entity) imposes death duties of 40% on all estates valued at more than 500,000 currency units (CU). Medical practitioners and funeral directors are required to notify the tax department of all deaths. An assessor then makes an interim valuation of the estate to determine whether duty will be payable. Executors of estates are required to file an inventory of the estate with the tax department, which values the estate and determines the duty due from the estate. Probate cannot be granted until all duty is paid. Due to complexities in testamentary law and frequent appeals of valuations, it takes on average four years to settle estates and collect the duty due.

IG13. The government controls a resource – death duties receivable – when the taxable event occurs, which is the death of a person owning taxable property. The government recognizes assets and revenue in the general purpose financial statements of reporting period in which the person dies, or later, as soon as it can reliably measure the assets.

Example 7: Property Tax (Paragraph 6566)

IG14. A local government (reporting entity) levies a tax of 1 per cent of the assessed value of all property within its jurisdiction. The government's reporting period is July 1 to June 30. The tax is levied on July 31, with

notices of assessment being sent to property owners in July, and payment due by August 31. If taxes are unpaid on that date, property owners incur penalty interest rate payments of three percent per month of the amount outstanding. The tax law permits the government to seize and sell a property to collect outstanding taxes.

- IG15. The government controls a resource – property taxes receivable – when the taxable event occurs, which is passing of the date on which the taxes are levied – July 31. The government recognizes assets and revenue in the general purpose financial statements of the reporting period in which that date occurs.

Example 8: Advance Receipts of Income Tax (Paragraph ~~6667~~)

- IG16. Government A (reporting entity) levies income tax on all residents within its jurisdiction. The tax period and the reporting period are January 1 to December 31. Self-employed taxpayers are required to pay an estimate of their income tax for the year by December 24 of the year immediately preceding the commencement of the tax year. The tax law sets the estimate as the amount due for the most recently completed assessment, plus one tenth, unless the taxpayer provides an explanation prior to December 24 of a lower amount (penalties apply if the taxpayer's assessment proves to be materially lower than the final amount owed). After the end of the tax period, self-employed taxpayers file their tax returns and receive refunds, or pay additional tax to the government.
- IG17. The resources received from self-employed taxpayers by December 24 are advance receipts against taxes due for the following year. The taxable event is the earning of income during the taxation period, which has not commenced. The reporting entity recognizes an increase in an asset (cash in bank) and an increase in a liability (advance receipts).

Example 9: Transfer to Government Department (Paragraphs ~~7677 - 8283~~)

- IG18. On November 1, 20X1 the legislature passes legislation that provides transfer of CU100 million to the Department of Education (reporting entity) for the year January 1, 20X2 to December 31, 20X2. The bill becomes an act (a law) on January 1, 20X2, when it is proclaimed by the government. The government can withdraw the bill before proclamation, and has done so on numerous occasions as circumstances change. The act includes a detailed budget for the Department of Education that requires that the Department only spend the appropriated amount as authorized or return it to the government. The government does not operate a central bank account – all government entities operate their own accounts at the central bank from which they authorize their own payments. Cash is transferred to the reporting entity's bank account when the bill is proclaimed.

IG19. The Department of Education recognizes the transfer amount as an asset when it obtains control over those resources, which is when the bill is proclaimed, on January 1, 20X2. The stipulation to spend money only according to the approved budget is a condition, and a liability should be recognized in respect of this condition. The liability is discharged as the condition is satisfied, that is when the department spends according to its budget. Assets, liabilities and revenue relating to the appropriation are recognized in the general purpose financial statements of the first reporting period that ends after January 1, 20X2.

Example 10: Grant to Another Level of Government for General Purposes
(Paragraphs ~~1415~~ - ~~1647~~, ~~7677~~)

IG20. The national government (transferor) makes a grant of CU10 million to a local government in a socio-economically deprived area. The local government (reporting entity) is required under its constitution to undertake various social programs; however it has insufficient resources to undertake all of these programs without assistance. There are no stipulations attached to the grant. All local governments are required to prepare and present audited general purpose financial statements.

IG21. There are no stipulations attached to these grants, and no performance obligation, so the transfers are recognized as assets and revenue in the general purpose financial statements of the reporting period in which the they are received or receivable by the local government.

Example 11: Transfer to a Public Sector University with Restrictions
(Paragraphs ~~1920~~ and ~~7677~~)

IG22. The national government (transferor) transfers 200 hectares of land in a major city to a university (reporting entity) for the establishment of a university campus. The transfer agreement specifies that the land is to be used for a campus, but does not specify that the land is to be returned if not used for a campus.

IG23. The university recognizes the land as an asset in the statement of financial position of the reporting period in which it obtains control of that land. The land should be recognized at its fair value in accordance with IPSAS 17, "Property, Plant and Equipment". The restriction does not meet the definition of a liability or satisfy the criteria for recognition as a liability. Therefore, the university recognizes revenue in respect of the land in the statement of financial performance of the reporting period in which the land is recognized as an asset.

Example 12: Grant to Another Level of Government with Conditions (see paragraphs [1748](#) - [1819](#))

IG24. The national government (transferor) grants CU10 million to a provincial government (reporting entity) to be used to improve and maintain mass transit systems. Specifically, the money is required to be used as follows: 40 percent for existing railroad and tramway system modernization, 40 percent for new railroad or tramway systems, and 20 percent for rolling stock purchases and improvements. Under the terms of the grant, the money can only be used as stipulated, and the provincial government is required to include a note in its audited general purpose financial statements detailing how the grant money was spent. The agreement requires the grant to be spent as specified in the current year or be returned to the national government.

IG25. The provincial government recognizes the grant money as an asset. The provincial government also recognizes a liability in respect of the condition attached to the grant. As the province satisfies the condition - that is, as it makes authorized expenditures, it reduces the liability and recognizes revenue in the statement of financial performance of the reporting period in which the liability is discharged.

Example 13: Research Grant (in Substance Exchange Transaction) (Paragraph [89](#))

IG26. A large corporation that makes cleaning products (transferor) gives money to a public university (reporting entity) to conduct research on the effectiveness of a certain chemical compound in quickly removing graffiti. The corporation stipulates that the research results are to be shared with it before being announced to the public and that it has the right to apply for a patent on the compound.

IG27. This is an exchange transaction. In return for the “grant”, the university provides research services and an intangible asset (the right (a future economic benefit) to profit from the research results.) IPSAS 9, “Revenue from Exchange Transactions” and the relevant international or national accounting standard dealing with intangible assets apply to this transaction.

Example 14: Debt Forgiveness (Paragraphs [8485](#) - [8788](#))

IG28. The national government (transferor) had lent a local government (reporting entity) CU20 million to enable the local government to build a water treatment plant. After a change in policy, the national government decides to forgive the loan. There are no stipulations attached to the forgiveness of the loan. The national government writes to the local government and advises it of its decision; it also encloses the loan documentation, which has been annotated to the effect that the loan has been waived.

IG29. When it receives the letter and documentation from the national government, which communicates this decision, the local government derecognizes the liability for the loan and recognizes revenue in the statement of financial performance of the reporting period in which the liability is derecognized.

Example 15: Purchase of Property at a Subsidized Price (Paragraphs ~~89~~ – ~~1142~~, ~~4142~~ - ~~4344~~)

IG30. A public school (reporting entity) purchases land with a fair value of CU100,000 for CU50,000 from a local government. The reporting entity concludes that the non-exchange transaction comprises two components, an exchange component and a non-exchange component. One component involves the purchase of a half share in the land for CU50,000, the other component is a non-exchange transaction that transfers the remaining half share of the land to the school.

IG31. In its general purpose financial statements for the reporting period in which the transaction takes place, the public school recognizes the land at CU100,000, (a cost of CU50,000 and a transfer of CU50,000) a reduction in its asset “cash” of CU50,000 and revenue from a non-exchange transaction of CU50,000 (the fair value of the increase in net assets recognized).

Example 16: Proposed Bequest (Paragraphs ~~9091~~ - ~~9293~~)

IG32. A 25-year-old recent graduate (transferor) of a public university names the university (reporting entity) as the primary beneficiary in her will. This is communicated to the university. The graduate is unmarried and childless and has an estate currently valued at CU500,000.

IG33. The public university does not recognize any asset or revenue in its general purpose financial statements for the period in which the will is made. The past event for a bequest is the death of the testator (transferor), which has not occurred.

Example 17: Pledge – Television Appeal for Public Hospital (Paragraph ~~104105~~)

IG34. On the evening of June 30, 20X5 a local television station conducts a fundraising appeal for a public hospital (reporting entity). The annual reporting date of the public hospital is June 30. Television viewers telephone or e-mail promising to send donations of specified amounts of money. At the conclusion of the appeal, CU2 million has been pledged. The pledged donations are not binding on those making the pledge. Experience with previous appeals indicates approximately 75 percent of pledged donations will be made.

IG35. The public hospital does not recognize any amount in its general purpose financial statements in respect of the pledges. The entity does not control the resources related to the pledge because it cannot exclude or regulate the access of the prospective transferors to the economic benefits or service potential of the pledged resources, therefore, it cannot recognize the asset or the related revenue until the donation is binding on the donor.

Example 18: Fine (Paragraph ~~8889~~ – ~~8990~~)

IG36. A major corporation is found guilty of polluting a river. As a penalty it is required to clean up the pollution and to pay a fine of CU50 million. The company is in sound financial condition and is capable of paying the fine. The company has announced that it will not appeal the case.

IG37. The government (reporting entity) recognizes a receivable and revenue of CU50 million in the general purpose financial statements of reporting period in which the fine is imposed.

Example 19: External Assistance Recognized (Paragraph ~~7677~~ - ~~8283~~)

IG38. National Government A (reporting entity) enters into an external assistance agreement with National Government B, which provides National Government A with development assistance grants to support National Government A's health objectives over a two year period. The external assistance agreement is binding on both parties. The agreement specifies the details of the development assistance receivable by National Government A. Government A measures the fair value of the development assistance at CU5 million.

IG39. When the external assistance agreement becomes binding, National Government A recognizes an asset (a receivable) for the amount of CU5 million, and revenue in the same amount. The resources meet the definition of an asset and satisfy the recognition criteria when the agreement becomes binding. There are no conditions attached to this agreement that require the entity to recognize a liability.

Example 20: Revenue of Aid Agency (Paragraphs ~~7677~~, ~~9394~~ - ~~9798~~)

IG40. Green-Aid Agency relies on funding from a group of governments. The governments have signed a formal agreement, which determines the percentage of Green-Aid Agency's approved budget that each government will fund. Green-Aid Agency can only use the funds to meet the expenses of the budget year for which the funds are provided. Green-Aid Agency's financial year begins on January 1. Green-Aid Agency's budget is approved in the preceding October, and the invoices are mailed out to the individual governments ten days after the budget is approved. Some governments pay before the start of the financial year and some during the financial year.

However, based on past experience, some governments are very unlikely to pay what they owe, either during the financial year or at any future time.

IG41. For the budget year 20X8, the profile of amounts and timing of payments was as follows:

	(CU Million)
Budget approved October 24, 20X7	55
Amount invoiced November 4, 20X7	55
Transfers received as at December 31, 20X7	15
Transfers received during 20X8	38
Amount not received by December 31, 20X8 and unlikely to be received	2

IG42. In 20X7, Green-Aid Agency recognizes an asset of CU15 Million for the amount of transfers received before the start of 20X8, because it has control over an asset when the transfer is received and deposited in its bank account. An equivalent CU15 Million liability, revenue received in advance, is recognized.

IG43. In 20X8, Green Aid Agency recognizes CU53 million of revenue from transfers. In the notes to its general purpose financial statements, it discloses that CU55 Million was invoiced and an allowance for doubtful debts of CU2 Million was established.

Example 21: Goods In-kind Recognized as Revenue (Paragraphs [3738](#), [9394](#) - [9798](#))

IG44. Transferor Government A has an arrangement with the public sector reporting entity, Aid Agency Inc., whereby Government A provides rice to meet its promised financial commitments to Aid Agency Inc. Based on the variability in Government A's past performance in meeting its commitments, Aid Agency Inc. has adopted an accounting policy of not recognizing the asset and revenue until receipt of the promised rice. Government A promises to provide Aid Agency Inc. with CU300,000

during 20X5. Government A subsequently transfers 1,000 metric tons of rice to Aid Agency Inc. on January 12, 20X5. The transfer of the rice takes place in one of the ports of the transferor nation. According to the details of the funding agreement between Aid Agency Inc. and Government A, the rice is valued at the previously agreed amount of CU300 per ton, with the result that the transfer of 1,000 metric tons of rice fully discharges Government A's financial commitment of CU300,000. During February and March 20X5, Aid Agency Inc. provides the rice to a network of local distribution agencies in Nations B and C in order to meet the needs of starving people.

IG45. On January 12, 20X5 the market price of 1,000 metric tons of rice was: CU280,000 in Government A's nation; CU250,000 in the international commodities market; CU340,000 in recipient Nation B and CU400,000 in recipient Nation C.

IG46. The fair value of the rice at the time of the donation must be determined to measure the revenue that Aid Agency Inc recognizes. The financial agreement between the donor and the aid agency, which allows the rice to be valued at CU300 per metric ton, depends on a private agreement between the two parties and does not necessarily reflect the fair value of the rice. Both Aid Agency Inc. and Donor Government A have the option of purchasing the rice on the world market at the lower price of CU250,000. The market prices for individual countries appear open to fluctuation – either as a result of trade barriers or, in the case of recipient countries, temporary distortions due to severe food shortages and may not reflect a transfer between a knowledgeable willing buyer and a knowledgeable willing seller in an orderly market. Therefore, the world market price of CU250,000 is the most reliable and relevant reflection of fair value for the donated rice. Aid Agency Inc. recognizes an increase in an asset (rice inventory) and revenue of CU250,000 in its general purpose financial statements for the year in which the transfer is received.

Example 22: Disclosure of Services In-kind not Recognized (Paragraphs ~~9899~~ - ~~102103~~, ~~106107107108~~)

IG47. A public hospital's (reporting entity) accounting policies are to recognize voluntary services received as assets and revenue when they meet the definition of an asset and satisfy the criteria for recognition as assets. The hospital enlists the services of volunteers as part of an organized program. The principal aim of the program is to expose volunteers to the hospital environment and to promote nursing as a career. Volunteers must be at least sixteen years of age and are initially required to make a six-month commitment to work one four-hour morning or afternoon shift per week. The first shift for each volunteer consists of a hospital orientation training session. Many local high schools permit students to undertake this work as

part of their education program. Volunteers work under the direction of a registered nurse and perform non-nursing duties such as visiting patients and reading to patients. The public hospital does not pay the volunteers nor would it engage employees to perform volunteers' work if volunteers were not available.

IG48. The hospital analyzes the agreements it has with the volunteers and concludes that, at least for a new volunteer's first six months, it has sufficient control over the services to be provided by the volunteer to satisfy the definition of control of an asset. The hospital also concludes that it receives service potential from the volunteers, satisfying the definition of an asset. However, it concludes that it cannot reliably measure the fair value of the services provided by the volunteers, because there are no equivalent paid positions either in the hospital or in other health or community care facilities in the region. The hospital does not recognize the services in-kind provided by the volunteers. The hospital discloses the number of hours of service provided by volunteers during the reporting period and a description of the services provided.

Example 23: Contribution from Owners (Paragraphs 3940 - 4041)

IG49. In 20X0 the neighboring cities of Altonae, Berolini and Cadomi form the Tri-Cities Electricity Generating Service (TCEGS) (reporting entity). The charter establishing TCEGS is binding on the city governments and provides for equal ownership, which can only be changed by agreement. The cities contribute CU25 million each to establish TCEGS. These contributions satisfy the definition of a contribution from owners, which the entity recognizes as such. The charter also provides for the cities to purchase the output of the TCEGS in proportion to their ownership. The purchase price is equal to the full costs of production. In 20X9, the city of Berolini gives approval for the construction of an aluminum smelter within the city, which will result in a doubling of the city's electricity demand. The three cities agree to amend the charter of TCEGS to permit Berolini to make a contribution from owners to enable the construction of additional generating capacity. After an independent valuation of TCEGS, the cities agree that Berolini may make a CU50 million contribution from owners and increase its ownership share to 49.9%, with Altonae and Cadomi retaining 25.05% each.

IG50. When the amendment to the charter becomes binding TCEGS will recognize an increase in assets of CU50 million (cash or contribution from owners receivable) and a contribution from owners of CU50 million.

Example 24: Grant Agreement Term not Requiring Recognition of a Liability (Paragraphs ~~2024~~ - ~~2526~~)

- IG51. National Park Department (reporting entity) of Country A receives a grant of CU500,000 from the bilateral aid agency of Country B. The grant agreement stipulates that the grant is required to be used to rehabilitate deforested areas of Country A's existing wilderness reserves, but if the money is not used for the stated purpose, it must be returned to Country B. The terms of the grant agreement are enforceable in the courts of Country A, and in international courts of justice. This is the thirteenth year that National Park Department has received a grant of this type from the same transferor. In prior years, the grant has not been used as stipulated, but has been used to acquire additional land adjacent to national parks for incorporation into the parks. National Park Department has not conducted any rehabilitation of deforested areas in the past thirteen years. Country B's bilateral aid agency is aware of the breach of the agreement term.
- IG52. National Park Department analyzes the transaction and concludes that although the terms of the grant agreement are enforceable, because the bilateral aid agency has not enforced the condition in the past, and given no indication that it ever would, the terms have the form of a stipulation and condition, but not the substance. National Park Department recognizes an increase in an asset (cash in bank) and grant revenue; it does not recognize a liability.

Example 25: Disclosures Made in the Financial Statements of Government A
(Paragraph ~~105106~~ – ~~106107~~)

IG53. For the year ended December 31, 20X2, Government A prepares and presents financial statements prepared in accordance with IPSASs for the first time. It makes the following disclosures in its financial statements:

Statement of Financial Performance

	20X2	20X1
	(CU',000)	(CU',000)
Revenue from Non-Exchange Transactions		
Taxation Revenue		
Income Tax Revenue (note 4)	XXX	XXX
Goods and Services Tax (note 5)	XXX	XXX
Estate Taxes (note 6)	XX	XX
Transfer Revenue		
Transfers from Other Governments	XXX	XXX
Gifts, Donations, Goods In-kind (note 13)	X	X
Services In-kind (note 14)	X	X

Statement of Financial Position

Current Assets		
Cash at Bank	XX	XX
Taxes Receivable		
Goods and Services Taxes Receivable (note 5)	XX	XX
Transfers Receivable		
Transfers receivable from Other Governments (note 7)	X	X
Non-Current Assets		
Land (notes 11)	XXX	XXX
Plant and Equipment (notes 9b and 10b)	XX	XX
Current Liabilities		
Liabilities recognized under transfer arrangements (note 10)	XX	XX
Advance Receipts		
Taxes	X	X

Transfers

X

X

Notes to the Financial Statements:**Accounting Policies****Recognition of Revenue from Non-Exchange Transactions**

1. Assets and revenue arising from taxation transactions are recognized in accordance with the requirements of IPSAS XX, "Revenue from Non-Exchange Transactions (Including Taxes and Transfers)". However, the Government takes advantage of the transitional provisions in that Standard in respect of income taxes and estate taxes.

Apart from income taxes and estate taxes, assets and revenue arising from taxation transactions are recognized in the period in which the taxable event occurs, provided that the assets satisfy the definition of an asset and meet the criteria for recognition as an asset.. Income taxes and estate taxes are recognized in the period in which payment for taxation is received (see notes 6 and7).

2. Assets and revenue arising from transfer transactions are recognized in the period in which the transfer arrangement becomes binding, except for some services in-kind. The government recognizes only those services in-kind that are received as part of an organized program, and for which it can determine a fair value by reference to market rates. Other services in-kind are not recognized.
3. Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, the Government recognizes a liability until the condition is fulfilled.

Basis of Measurement of Major Classes of Revenue from Non-Exchange Transactions**Taxes**

4. Income tax revenue is measured at the nominal value of cash, and cash equivalents, received during the reporting period. The Government is currently developing a statistical model for measuring income tax revenue on an accruals basis. This model uses taxation statistics compiled since 19X2 as well as other statistical information including average weekly earnings, gross domestic product and the consumer and producer price indexes. The Government anticipates that the model will enable it to reliably measure income tax revenue on an accruals basis for the reporting

period ended 20X5. The Government does not recognize any amount in respect of income taxes receivable.

5. Assets and revenue accruing from goods and services tax is initially measured at the fair value of assets accruing to the government during the reporting period, principally cash, cash equivalents and goods and services tax receivable. The information is compiled from the goods and services tax returns submitted by taxpayers during the year, and other amounts estimated to be due to the government. Taxpayers have a high compliance rate and a low error rate, using the electronic return system established in 20X0. The high compliance and low error rates have enabled the Government to develop a reliable statistical model for measuring the revenue accruing from the tax.

Goods and services taxes receivable is the estimate of the amount due from taxes attributable to the reporting period that remain unpaid at December 31, 20X2, less a provision for bad debts.

6. Estate tax of 40% is levied on all deceased estates, however the first CU400,000 of each estate is exempt from the tax. Assets and revenue from estate taxes are measured at the nominal value of the cash received during the reporting period, or the fair value as at the date of acquisition of other assets received during the period, as determined by reference to market valuations or by independent appraisal by a member of the valuation profession.

Transfer Revenue

7. Assets and revenue recognized as a consequence of a transfer are measured at the fair value of the assets recognized as at the date of recognition. Monetary assets are measured at their nominal value unless the time value of money is material, in which case present value is used, calculated using a discount rate that reflects the risk inherent in holding the asset. Non-monetary assets are measured at their fair value, which is determined by reference to observable market values or by independent appraisal by a member of the valuation profession. Receivables are recognized when a binding transfer arrangement is in place but cash or other assets have not been received.

Taxes not Reliably Measurable in the Period in which the Taxable Event Occurs

8. The Government is unable to directly measure the assets arising from income tax during the period in which all taxpayers earn income and is, therefore, taking advantage of the transitional provisions of IPSAS XX, "Revenue from Non-Exchange Transactions (Including Taxes and

Transfers)'' to develop model to indirectly measure taxation revenue in the period in which taxpayers earn income. The government estimates that it will be able to reliably measure income tax on an accruals basis using the model for the reporting period ending December 31, 20X4.

9. In respect of estate taxes, due to current high levels of non-compliance with the law the government is unable to measure the amount of assets and revenue accruing in the period in which persons owning taxable property die. The government therefore recognizes estate taxes when it receives payment for the tax. The tax department is continuing work to develop a reliable method of measuring the assets receivable and revenue in the year in which the taxable event occurs.

Liabilities Recognized in Respect of Transfers

10. At December 31, 20X2, the Government recognized a liability of CUXX,000 related to a transfer to it conditional upon it building a public hospital. As at December 31, the Government had received a cash payment, however, construction of the hospital had not commenced, although tenders for construction were called for on November 30, 20X2.

Assets Subject to Restrictions

11. Land with a fair value of CUXX,000 was donated during 20X2, subject to the restriction that it be used for a public health purposes and not be sold for fifty years. The land was acquired by the transferor at a public auction immediately prior to its transfer and the auction price is the fair value.
12. Plant and equipment includes an amount of CUXX,000, which is the carrying amount of a painting donated in 19X2 to an art gallery controlled by the Government, and subject to the restriction that it not be sold for a period of 40 years. The painting is measured at its fair value, determined by independent appraisal.

Major Classes of Bequests, Gifts, Donations, and Goods In-Kind Received.

13. Transfers are received in the form of gifts, donations, and goods in-kind – most notably medical and school supplies (inventory), medical and school equipment and works of art (classified as equipment). Gifts and donations are received primarily from private benefactors. Hospitals, schools and art galleries controlled by the Government recognize these assets when control passes to them, usually on receipt of the resources, either cash or plant and equipment. The Government does not accept these transfers with either conditions or restrictions attached unless the value of the transfer exceeds CUXX,000.

14. During 20X2, as part of an external assistance agreement with Government C, computer equipment with a fair value of CUXX,000 was provided to the Government on condition that it be used by the education department or be returned to Government C.

Services In-Kind

15. Hospitals controlled by the government received medical services in-kind from medical practitioners as part of the medical profession's organized volunteer program. These services in-kind are recognized as revenue and expenses in the statement of financial performance at their fair value as determined by reference to the medical profession's published schedule of fees.
16. Hospitals, schools and art galleries controlled by the government also received support from volunteers as part of organized programs for art gallery greeters and guides, teachers' aides and hospital visitor guides. These volunteers provide valuable support to these entities in achieving their objectives; however the services provided cannot be reliably measured as there are no equivalent paid positions available in the local markets, and in the absence of volunteers, the services would not be provided. The government does not recognize these services in the statements of financial position or financial performance.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, the proposed IPSAS XX.

- BC1. This Basis for Conclusions summarizes the International Public Sector Accounting Standards Board's considerations in reaching the conclusions in ~~ED-IPSAS~~ XX, "Revenue from Non-Exchange Transactions (Including Taxes and Transfers)". Individual Board members gave greater weight to some factors than to others. In forming their views, Board members considered in depth the views expressed by the Steering Committee on Non-Exchange Revenue in the Invitation to Comment (ITC), "Revenue from Non-Exchange Transactions (Including Taxes and Transfers)" issued in January 2004 and the views expressed by constituents who responded to the consultation on that ITC and the views of respondents to Exposure Draft 29, "Revenue from Non-Exchange Transactions (Including Taxes and Transfers)".
- BC2. In developing this ~~EDIPSAS~~, the IPSASB considered the provisions of relevant International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), in particular International Accounting Standards, IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" and IAS 41, "Agriculture".
- BC3. The IPSASB is cognizant of the project being undertaken by the IASB on revenue recognition and also the IASB's ED "Proposed Amendments to IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". The IPSASB will continue to monitor these projects and, at an appropriate time, consider implications of any changes to IFRSs for IPSASs and IPSASB projects. However, the IPSASB does not consider it appropriate to pre-empt the outcome of the IASB's due process and anticipate changes to IFRSs. In addition, given the significance of non-exchange revenue to many public sector entities, the IPSASB does not consider that it would be appropriate to defer issuance of this ~~ED-IPSAS~~ pending the outcome of IASB projects.

Background

- BC4. Governments and many other public sector entities derive the majority of their revenue from non-exchange transactions. These transactions include, principally, taxation, but also transfers. ~~Currently, however, there is no IPSAS that adequately~~ This IPSAS addresses these types of transaction from the perspective of a public sector entity.
- BC5. In 2002, the IPSASB (then the Public Sector Committee - PSC) initiated a project to develop an IPSAS for the recognition and measurement of revenue from non-exchange transactions (including taxes and transfers).

The IPSASB established a Steering Committee to develop an ITC to
 Item 9.4 IPSAS XX, "Revenue from Non-Exchange Transactions (Including Taxes and Transfers)" (Marked)
 IPSASB Norwalk November 2006

consider the issues related to this issue and make initial recommendations. The Steering Committee was comprised of public sector financial reporting experts from a variety of countries and was chaired by an IPSASB member. An ITC, “Revenue from Non-Exchange Transactions (Including Taxes and Transfers)”, was published in January 2004, with comments requested by June 30, 2004. Fifty-one comments were received. They can be viewed on the IFAC website (www.ifac.org/Guidance/EXD-outstanding). In November 2004, the IPSASB analysed those comments and began drafting ~~this Exposure Draft (ED) of an IPSAS 29, which was published in January 2006, with a request for comments by June 30, 2006.~~

BC6. In November 2006, the IPSASB undertook an in-depth analysis of the responses to ED 29 and prepared this IPSAS, and approved it for issue.

Approach

BC6:BC7. This ~~proposed~~ standard establishes broad principles for the recognition of revenue from non-exchange transactions and provides guidance on the application of those principles to the major sources of revenue for governments and other public sector entities. In developing this ~~proposed~~ Standard, the IPSASB considered whether to adopt an approach which focused on the development of requirements for accounting for revenue arising from a range of specific types of non-exchange transactions. However, the IPSASB noted and agreed with the views of the Steering Committee that such an approach brings with it consequent risks that the resultant Standard would not provide comprehensive guidance for all revenue from non-exchange transactions. The IPSASB is of the view that the approach adopted in this ~~proposed~~ standard ensures that appropriate broad principles for the recognition of revenue from non-exchange transactions are established and can be applied to all revenue from non-exchange transactions. ~~The respondents to the ITC overwhelmingly supported the adoption of such an approach.~~

Entity Combinations

BC7:BC8. This ~~Proposed~~ Standard does not specify whether entity combinations resulting from non-exchange transactions will give rise to revenue. This is because the IPSASB has not considered the financial reporting of entity combinations in the public sector, including the applicability of International Financial Reporting Standard (IFRS) 3, “Business Combinations” to public sector entities. ~~The ITC did not exclude from its scope business combinations and respondents did not comment on this aspect of the scope of any proposed Standard.~~

Monetary and Non-Monetary Assets

BC8:BC9. This ~~proposed~~ Standard does not establish different requirements in respect of revenue received or receivable as monetary assets and revenue

received or receivable as non-monetary assets. ~~The ITC included the Steering Committee's preliminary view that monetary and non-monetary assets should not be treated differently. Respondents to the ITC accepted this view of the Steering Committee.~~ The IPSASB is of the view that while non-monetary assets raise additional measurement concerns, these do not, of themselves, justify different financial reporting treatments.

Enforceability of Stipulations

BC9-BC10. This ~~proposed~~ Standard defines stipulations, conditions, and restrictions as terms in a transfer agreement or legislation or other binding arrangements imposed upon the use of transferred assets. The ~~proposed~~ Standard reflects the view that stipulations, conditions and restrictions must be enforceable to be effective. The ITC and ED 29 also reflected the principle that terms stipulations imposed on the use of transferred assets are contained in laws, regulations or other binding arrangements, and are by definition enforceable. The IPSASB considers that this principle is necessary to prevent the deferment of revenue recognition, or the disclosure of restrictions that have no substance. ~~The respondents to the ITC accepted this principle and it has been endorsed by the IPSASB.~~

Stipulations - Conditions

BC10-BC11. This ~~proposed~~ Standard requires that where the transfer of an asset imposes a condition on the recipient, the recipient should recognize a liability in respect of the transfer on initial recognition of the asset. This is because the recipient is unable to avoid an outflow of resources as it is required to consume the future economic benefits or service potential embodied in the transferred asset in the delivery of particular goods or services to third parties as specified, or else to return to the transferor future economic benefits or service potential. Depending on the nature of the condition, it may be fulfilled progressively, permitting the entity to reduce the amount of the liability and recognize revenue progressively, or it may only be fulfilled on the occurrence of a particular future event, in which case the entity eliminates the liability and recognizes revenue when that event occurs. ~~This was proposed in the ITC and the majority of respondents agreed with the proposal.~~

BC11-BC12. Some are of the view that a liability should be recognized only when it is probable that conditions attaching to the inflow of resources will not be satisfied and that future economic benefits or service potential will be required to be returned to the transferor. The IPSASB rejected this proposal because it could result in entities recognizing revenue prematurely – because the entity would recognize the full fair value of the asset as revenue when it initially gains control of the asset, notwithstanding the outflow of resources necessary to satisfy the condition. The financial statements would not, therefore, recognize the present obligation to fulfill

the condition imposed by the transfer or return future economic benefits or service potential to the transferor.

Stipulations – Restrictions

~~BC12-BC13.~~ This ~~proposed~~ Standard does not permit entities to recognize a liability in respect of a restriction when the transferred asset is initially recognized. This is because, as defined in this ~~proposed~~ Standard, restrictions do not of themselves impose a present obligation upon the recipient entity to sacrifice future economic benefits or service potential to satisfy the restriction. A breach of a restriction may ultimately lead to a penalty, such as a fine, being imposed upon the recipient entity, however, such a penalty is the result of enforcement procedures resulting from the breach, not from the initial recognition of the asset. ~~The ITC raised this issue, and the majority of the respondents agreed that restrictions do not meet the definition of a liability or satisfy the requirements for recognition as a liability.~~

Stipulations—Time Requirements

~~BC13.~~ In the public sector many transfers are made with stipulations that the assets transferred be used within a particular period. The IPSASB therefore considered whether “time requirements” should be defined as a separate class of stipulation and whether requirements should be specifically inserted for time requirements. The ITC included a definition of “time requirements” and related preliminary views and commentary that does not appear in this ED. Respondents to the ITC generally supported the view that an entity should recognize a liability in respect of time requirements. The IPSASB concluded, however, that time requirements may operate as either conditions on transferred assets or restrictions on transferred assets, dependent upon the terms of agreements. It would therefore not be in accordance with the “asset and liabilities” approach, which underpins this proposed Standard, to define time requirements separately and include requirements separate to those for conditions on transferred assets and restrictions on transferred assets.

Transactions with Exchange and Non-Exchange Components

BC14. This ~~proposed~~ Standard notes that a single transaction can have two components, an exchange component and a non-exchange component. In these cases, the IPSASB is of the view that the transaction’s component parts should be distinguished and recognized separately. Distinguishing the component parts enhances the transparency of financial statements and satisfies the qualitative characteristic of reporting the substance of transactions. ~~The ITC raised this issue and the majority of respondents agreed that exchange and non-exchange components should be recognized separately.~~

Contributions from Owners

BC15. This ~~proposed~~ Standard ~~includes the definition of “contributions from owners” in paragraph 7 and~~ identifies examples of some types of documentation that may evidence contributions from owners in the public sector (paragraph ~~4041~~). Many public sector entities receive inflows of resources from entities that control them, own them or are members of them. In certain circumstances the inflow of resources will be designated as a “contribution from owners”. Notwithstanding the documentation that evidences the form of the inflow of resources or its designation by a controlling entity, this ~~proposed~~ Standard reflects the view that for an inflow of resources to be classified as a contribution from owners, the substance of the transaction must be consistent with that classification. ~~The guidance in this proposed Standard is consistent with the view expressed in the ITC, which was supported by the majority of respondents to the ITC.~~

Measurement of Assets

BC16. This ~~proposed~~ Standard requires that assets acquired through non-exchange transactions be initially measured at their fair value as at the date of acquisition. ~~This was proposed in the ITC and supported by a majority of respondents to the ITC.~~ The IPSASB is of the view that this is appropriate to reflect the substance of the transaction and its consequences for the recipient. In an exchange transaction the cost of acquisition is a measure of the fair value of the asset acquired. However, by definition, in a non-exchange transaction the consideration provided for the acquisition of an asset is not approximately equal to the fair value of the asset acquired. Fair value most faithfully represents the actual value the public sector entity accrues as a result of the transaction. Initial measurement of assets acquired through non-exchange transactions at their fair value is consistent with the approach taken in IPSAS 16, “Investment Property” and IPSAS 17, “Property, Plant and Equipment” for assets acquired at no cost or for a nominal cost. The IPSASB also proposes a consequential amendment to IPSAS 12, “Inventories” and IPSASs 16 and 17 to fully align those IPSASs with the requirements ~~proposed by this ED of this Standard.~~

Entity Bank Accounts

BC17. This ~~proposed~~ Standard ~~adopts~~ assumes the requirement that all money deposited in a bank account of an entity satisfies the definition of an asset and meets the criteria for recognition of an asset of the entity. The IPSASB established this principle in paragraphs 1.2.6 and 1.2.7 of the Cash Basis IPSAS, “Financial Reporting Under the Cash Basis of Accounting”. The proposed Standard also requires the recognition of a liability in respect of any amount the reporting entity has collected and deposited in its own bank account while acting as an agent of another entity. ~~This principle was~~

~~explicitly stated in the ITC, and the majority of respondents accepted the principle.~~

BC18. Some argue that the entity will not always control all money deposited in its bank account because it cannot fully deploy those monies for its own benefit, and therefore that the entity should only recognize as an asset the amount that it has complete freedom to use in the pursuit of its objectives. IPSASB rejected this because at the very least the entity will benefit from the money in its account by earning interest, or by avoiding paying interest on an overdrawn account.

Measurement of Liabilities

BC19. This ~~proposed~~ Standard requires that where an entity recognizes a liability in respect of an inflow of resources that liability will initially be measured as the best estimate of the amount required to settle the obligation at the reporting date. This measurement basis is consistent with IPSAS 19, “Provisions, Contingent Liabilities and Contingent Assets” ~~and was referred to in the ITC. Respondents to the ITC accepted this principle.~~ The IPSASB is also cognizant of the amendments proposed for IAS 37, “Provisions, Contingent Liabilities and Contingent Assets” (to be retitled “Non-financial Liabilities) on which IPSAS 19 is based, and will monitor, and in due course consider its response to, any developments in IAS 37.

Taxable Events

BC20. This ~~proposed~~ Standard defines a “taxable event” as the past event that the government, legislature or other authority has determined to be subject to taxation. The ~~proposed~~ Standard notes that this is the earliest possible time to recognize assets and revenue arising from a taxation transaction and is the point at which the past event that gives rise to control of the asset occurs. ~~This view was proposed in the ITC, and accepted by the respondents to the ITC.~~ The IPSASB considered an alternative view that an entity only gains control of resources arising from taxation when those resources are received. Whilst recognizing that there can be difficulties in reliably measuring certain taxation streams, the IPSASB rejected such an approach as inappropriate for the accrual basis of financial reporting.

Advance Receipts

BC21. This ~~proposed~~ Standard requires an entity that receives resources in advance of the taxable event, or of a transfer arrangement becoming enforceable, to recognize an asset and a liability of an equivalent amount. This is consistent with the principles of accrual accounting to recognize revenue in the period in which the underlying event that gives rise to the revenue occurs. In the event that the taxable event did not occur, or the transfer arrangement did not become enforceable, the entity may need to return part or all of the resources. Some are of the view that, where

resources are received in advance of the taxable event an entity should only recognize a liability where it considers it probable that there will be a subsequent outflow of resources. ~~The ITC expressed the view that advance receipts of taxes particularly, are no different to other advance receipts and that a liability will be recognized until the taxable event occurs.~~ The IPSASB supports the view that revenue should not be recognized until the taxable event occurs and extends the principle to transfers, so that where resources are received prior to a transfer arrangement becoming binding, the entity recognizes an asset and a liability for the advance receipt.

Expenses Paid Through the Tax System and Tax Expenditures

BC22. This ~~proposed~~ Standard requires that expenses paid through the tax system be distinguished from tax expenditures, and that the former should be recognized separately from revenue in the general purpose financial statements. This is because, as defined in this ~~proposed~~ Standard, expenses paid through the tax system satisfy the definition of expenses and, according to the principles established in IPSAS 1, "Presentation of Financial Statements", offsetting of expenses against revenue is not permitted. As defined in this ~~proposed~~ Standard, tax expenditures are one of the many factors used to determine the amount of tax revenue received or receivable and are not recognized separately from revenue. ~~This view was proposed in the ITC and supported by the majority of the respondents to the ITC.~~ The IPSASB is of the view that this treatment is consistent with the principles established in this ~~proposed~~ Standard.

BC23. The treatment prescribed in this ~~proposed~~ Standard for expenses paid through the tax system is different to that currently prescribed by the OECD for member country statistical returns. The OECD currently requires tax revenue to be shown net of expenses paid through the tax system (or non-wastable tax credits) to the extent that an individual taxpayer's liability for tax is reduced to zero, payments to a taxpayer are shown as expenses.¹ The IPSASB is of the view that the current OECD treatment does not conform to the conceptual principles underpinning the IPSASs and the IPSAS 1, "Presentation of Financial Statements," requirement not to offset items of revenue and expense. The statistical financial reporting frameworks are currently under review; in particular a new edition of the United Nations' *System of National Accounts* is currently under development and is due to be published in 2008. The revised framework may revise the current reporting requirement in respect to tax credits. Revision of the *System of National Accounts* often precedes revisions to other statistical frameworks.

¹ OECD, *Revenue Statistics* (Paris: OECD, 2000): p. 267, §20-21.

The Tax Gap

BC24. For some taxes, reporting entities will be aware that the amount the government is entitled to collect under the tax law is higher than the amount that will be collected, but will not be able to reliably measure the amount of this difference. The amount collected is lower due to the underground economy (or black market), fraud, evasion, non-compliance with the tax law, and error. The difference between what is legally due under the law and what the government will be able to collect is referred to as the “tax gap”. Amounts previously included in tax revenue that are determined as not collectible do not constitute part of the tax gap.

BC25. The IPSASB is of the view that the tax gap does not meet the definition of an asset as it is not expected that resources will flow to the government in respect of these amounts. Consequently, assets, liabilities, revenue or expenses will not be recognized in respect of the tax gap. Information about the tax gap may be disclosed in accordance with the provisions of IPSAS 1, which requires disclosure of any information necessary for a fair presentation of the financial statements of a public sector entity.

Services In-Kind

BC26. This ~~proposed~~ Standard permits, but does not require, recognition of services in-kind. This Standard takes the view that many in-kind services do meet the definition of an asset and should, in principle, be recognized. In such cases there may, however, be difficulties in obtaining reliable measurements. In other cases, in-kind services do not meet the definition of an asset because the reporting entity has insufficient control of the services provided. ~~The ITC raised the issue of recognizing and measuring services in-kind (referred to as voluntary services) and noted that there were difficult control and measurement issues to be resolved before recognition was possible. The Steering Committee concluded that entities should not be required to recognize voluntary services as assets, revenue and expenses. The majority of the respondents to the ITC agreed with this position. The IPSASB concluded that due to difficulties related to measurement and control, such recognition of services in-kind should be permitted but not required.~~

Compulsory Contributions to Social Security Schemes

BC27. This ~~proposed~~ Standard includes within its scope compulsory contributions to social security schemes that are non-exchange transactions. Some are of the view that the ~~proposed~~ Standard should exclude from its scope the compulsory contributions to social security schemes until a comprehensive standard on social security schemes is issued, or include more explicit guidance on the circumstances in which such contributions are non-exchange transactions. However, the IPSASB is of the view that more explicit guidance for such contributions in this ~~proposed standard~~ Standard

is not appropriate because the specific arrangements of social security schemes are highly jurisdiction dependent and it is not possible to provide in an international standard specific guidance that will deal adequately with arrangements in all jurisdictions. Rather the principles established in this ~~proposed~~ Standard are applied and professional judgment is exercised to determine whether, in a particular jurisdiction, contributions to such a scheme are exchange or non-exchange transactions, and whether, therefore, they should be treated in accordance with the requirements of this ~~proposed~~ Standard.