



Agenda Item 7: Social Benefits

Paul Mason, Technical Manager

IPSASB Meeting

March 11-14, 2014

Toronto, Canada

Objectives of Agenda Item

- Consider** the Issues Paper on Social Benefits;
- Provide directions** for the development of a future Consultation Paper; and
- Confirm** the Issues Paper has identified all the Bases / Approaches to be included in the Consultation Paper

Material Presented:

- Agenda Item 7.1 Issues Paper

Background (*paragraphs 1-13*)

- Invitation to Comment: *Accounting for Social Policies of Government*, January 2004
 - IPSAS 19 basis
- 2006, no consensus on when a present obligation arises especially for contributory cash transfer programs
- Exposure Draft (ED) 34, *Social Benefits: Disclosure of Cash Transfers to Individuals or Households* (2008)
- Consultation Paper, (CP) *Social Benefits: Issues in Recognition and Measurement* (2008)

Project Brief – Key Issues (*paragraphs 16 & 17*)

- Scope of Project
- Theoretical Basis
 - IPSAS 19
 - Others?
- Disclosure
- When do Present Obligations arise?
- Revalidations
 - Recognition or Measurement?
- Distinguish Contributory from Non-Contributory?
- Programs providing both Contributory and Non-Contributory Benefits

Project Brief – Key Issues (*paragraphs 16 & 17*)

- Scope of Project
 - Theoretical Basis
 - IPSAS 19
 - Others?
 - Disclosure
- When do Present Obligations arise?
 - Revalidations
 - Recognition or Measurement?
 - Distinguish Contributory from Non-Contributory?
 - Programs providing both Contributory and Non-Contributory Benefits

Approach (*paragraphs 14 & 15*)

- National Practices
- National (Accrual-Based) Standards
- Discussion Papers – National Standard Setters
- Supra-national Standards (e.g., European Union Accounting Rule 3)

Matter for Consideration (1): Decide what primary research should be undertaken

Scope (*paragraphs 18-27*)

- Individual Goods and Services
- Cash Transfers
- Excludes Collective Goods and Services (IPSASB Decision)
 - Insufficiently precise
 - Ongoing Commitments
 - Provided through executory contracts

Matter for Consideration (2):

- (i) Confirm the Scope of the Project*
- (ii) Explain the Exclusion of Collective Goods and Services in the Consultation Paper*

Obligations (*paragraph 24*)

- IPSAS 19 and CF–ED2
 - Different Wording
 - “Indeed the obligation may be to the public at large”

Matter for Consideration (3): Confirm this reflects the different level of detail required at standards level compared to framework level

Bases (*paragraphs 28-51*)

- IPSAS 19 Basis
 - Variation using IPSAS 25 *Employee Benefits* for contributory aged pensions
- ‘Grand’ Executory Contract
- Insurance Accounting
- How do Funds affect this?

Matter for Consideration (4): Indicate which bases should be included in the Consultation Paper

Disclosures (*paragraphs 52-54*)

- Principles not Detail
- Factors
 - Basis
 - Recognition Point
 - Need for Prospective Information

Matter for Consideration (5): Confirm Consultation Paper should raise issues of principle only regarding disclosures

IPSAS 19 Basis (*paragraphs 29-35, 55-74*)

- Key Issue – When does a Present Obligation Arise?
 - Past Event(s)
 - Revalidation – Measurement or Recognition?
 - ITC (2004) had 3 Options (*paragraph 58*)
 - Contingent Liability if Not Recognized?
 - Contributory / Non-Contributory – Affects Expectations?
 - Combined Programs – Impact if Recognition/Measurement Criteria are Different

Matter for Consideration (6): Decide whether the IPSAS 19 basis should be included in the Consultation Paper; and if not to indicate what changes are required

Grand Executory Contract (*paragraphs 36-43, 75-76*)

- Expenses Recognized to the Extent Taxes are Paid
- ‘Due and Payable’ – Legal Obligation
- Exchange Approach for Non-Exchange Transactions
- Present Obligations, Revalidations etc. Considered in Assessing Eligibility Criteria

Matter for Consideration (7): Decide whether the ‘Grand’ Executory Contract basis should be included in the Consultation Paper; and if not to indicate what changes are required

Insurance Accounting (*paragraphs 44-51, 77-85*)

- Application
 - Contributory Programs - Characteristics of Insurance Schemes
 - Wider Social Benefits
- Recognition Criteria
 - IASB Exposure Draft; Non-Contributory?
- Measurement – PV of Net Cash Flows, Onerousness Test

Matter for Consideration (8): Decide whether the Insurance Accounting basis should be included in the Consultation Paper; and if not to indicate what changes are required

Matter for Consideration (9): Contributory Programs or Wider?

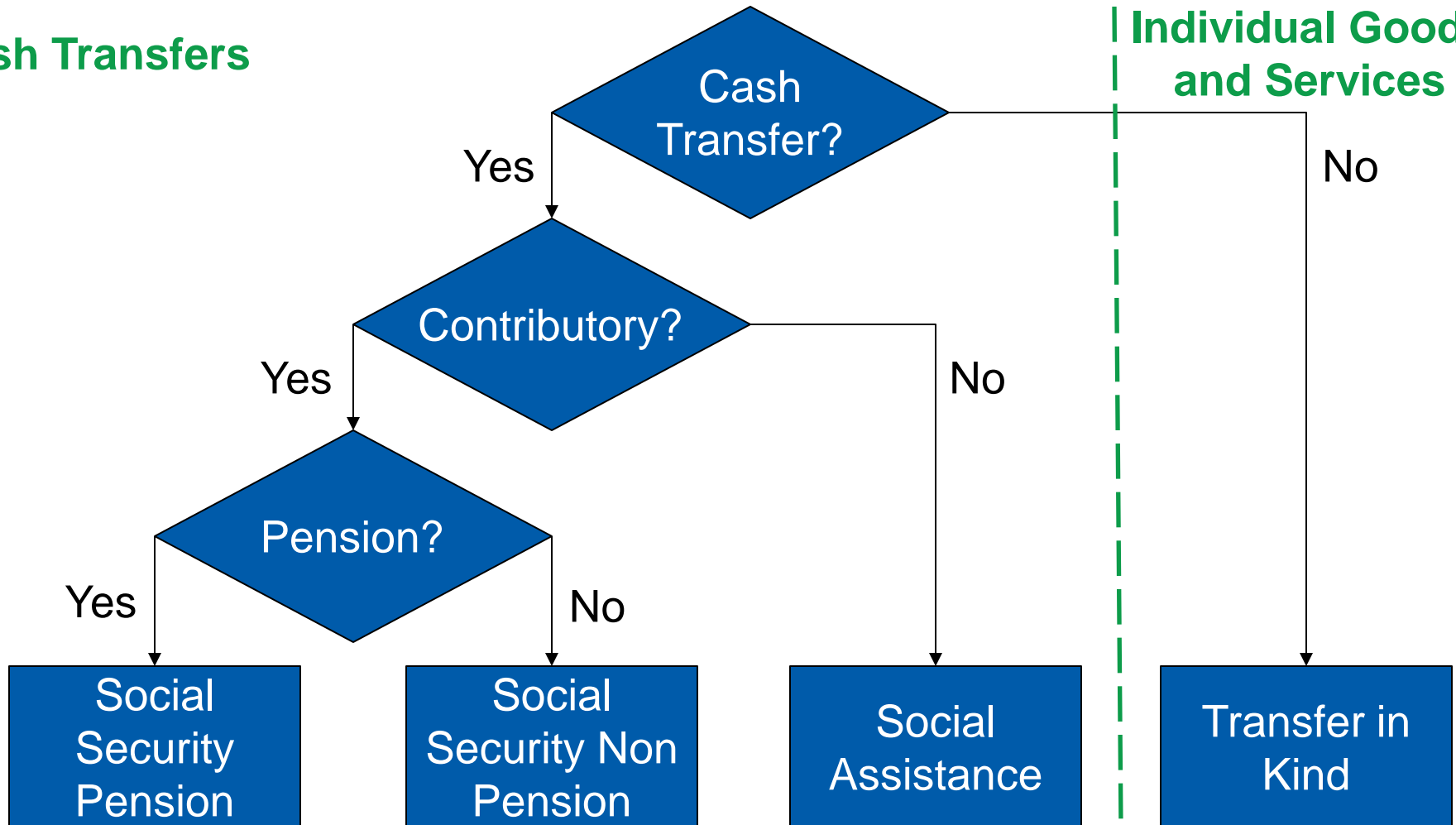
Statistical Accounting (*paragraphs 86-98*)

- Definitions (*paragraphs 88-89*)
 - Purpose: “Affect the welfare of the households concerned”
 - Method of Provision affects Classification
 - Potential Differences with Conceptual Framework

GFS Classification (paragraphs 90-96)

Cash Transfers

Individual Goods and Services



GFS Recognition (*paragraphs 97-98*)

- Entitlements accruing under social security ... are not normally shown in the SNA
- Reliable estimates of the entitlements may not be readily available
- Government has the possibility of changing the basis on which entitlements are determined
- Some flexibility regarding the recording of pension entitlements of unfunded pension schemes sponsored by government for all employees ... is provided

Statistical Accounting

Matter for Consideration (10): To what extent should the definitions and classifications used within SNA 2008 be reflected in the Consultation Paper?

Matter for Consideration (11): How should recognition differences between IPSAS and GFS be addressed?



www.ipsasb.org
