

**Meeting:** International Public Sector Accounting  
Standards Board

**Meeting Location:** Toronto, Canada

**Meeting Date:** June 18–21, 2019

**From:** Paul Mason

## Agenda Item 12

For:

☐ Approval

☒ Discussion

☒ Information

### GRANTS AND TRANSFERS: EXPENSE

<b>Project summary</b>	The aim of the project is to develop a standard(s) that provides recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits.	
<b>Meeting objectives</b>	<b>Topic</b>	<b>Agenda Item</b>
<b>Project management</b>	Non-Exchange Expenses Road Map	12.1.1
	Decisions up to March 2019 Meeting	12.1.2
	Instructions up to March 2019 Meeting	12.1.3
<b>Decisions required at this meeting</b>	Scope and Definitions	12.2.1
	Subsidies or Premiums	12.2.2
	Additional Material to be Included in the Exposure Draft	12.2.3
	Examples to be Included in the Exposure Draft	12.2.4

# Agenda Item

## 12.1.1

### NON-EXCHANGE EXPENSES ROAD MAP

Meeting	Objective: IPSASB to consider:	
	Collective and Individual Services	Grants and Transfers
June 2019	Consultation Period	1. Discussion of Issues 2. Develop Exposure Draft
September 2019	1. Review of responses 2. Initial discussion on issues raised 3. Review first draft of proposed IPSAS	1. Review of draft ED final amendments 2. Review of examples – exception basis only 3. Approval of ED
December 2019	1. Review of draft IPSAS 2. Approval of IPSAS	Consultation Period
March 2020		
June 2020		1. Review of Responses
September 2020		1. Initial discussion of issues raised
December 2020		1. Further discussion of issues raised 2. Review first draft of proposed IPSAS
March 2021		1. Approval of IPSAS

# Agenda Item

## 12.1.2

### DECISIONS UP TO MARCH 2019 MEETING

#### Grants and Transfers

Date of Decision	Decision
March 2019	Proceed with the alternative narrower scope discussed at the meeting, which excludes commercial transactions.
March 2019	Exclude contributions from owners from the project scope.
March 2019	Retain the existing definition of expenses in IPSAS 1.
March 2019	Include a cross reference to the definition of expenses in IPSAS 1 in the ED.
September 2018	The Public Sector Performance Obligation Approach (PSPOA) could be applied to some non-exchange expenses.
September 2018	Where the PSPOA is applied, this may involve the recognition of an asset for the right to have goods and services transferred to a third party.
June 2017	All decisions up to the June 2017 meeting were reflected in the Consultation Paper, <i>Accounting for Revenue and Non-Exchange Expenses</i> .

#### Collective and Individual Services

Date of Decision	Decision
December 2018	All decisions up to the December 2018 meeting were reflected in ED 67, <i>Collective and Individual Services and Disaster Relief</i> .

# Agenda Item 12.1.3

## INSTRUCTIONS UP TO MARCH 2019 MEETING

### Grants and Transfers

Meeting	Instruction	Actioned
March 2019	Review the presentation requirements alongside the two Revenue EDs at the September 2019 meeting.	To be discussed at the September meeting.
March 2019	Review the accounting for grants and other transfers alongside proposals for IPSAS 23 revisions.	
March 2019	Give further consideration to the Public Sector Performance Obligation Approach, in particular to consider the use of premiums and whether there are any overlaps with service concession arrangements. In giving this instruction, the IPSASB noted that the approach was going in the right direction.	
March 2019	Consider whether, and if so, how, to address contracts that are described as grants.	See Agenda Item X.2.1
March 2019	Review the GFS terminology and if possible, identify terms for grants and transfers that do not conflict with the GFS terminology, together with appropriate definitions.	See Agenda Item X.2.1
March 2019	Continue to develop the definitions of grants and transfers, noting the terms may need to be changed.	See Agenda Item X.2.1
March 2019	Continue to review the definition of expenses as the ED is developed to ensure that the definition remains appropriate for the project.	
March 2019	Consider the revised scope regarding, for example, research grants where the research is provided to the purchaser.	See Agenda Item X.2.1
March 2019	Relocate the Meeting the Objective section in line with the similar changes being made to the <i>Revenue</i> ED.	
September 2018	Develop guidance on enforceability to reflect the subsequent discussions on the PSPOA in the context of the Revenue project.	To be developed once the IPSASB has discussed the guidance in the Revenue project.
September 2018	Develop examples to illustrate the operation of the PSPOA.	To be discussed at a future meeting.

**Collective and Individual Services**

Meeting	Instruction	Actioned
December 2018	All instructions up to the December 2018 meeting were reflected in ED 67, <i>Collective and Individual Services and Disaster Relief</i> .	

# Agenda Item

## 12.2.1

### Scope and Definitions

#### Questions

1. The IPSASB is asked to agree the scope of Exposure Draft (ED) 72 and the related definitions to be included in ED 72.

#### Detail

##### *Background*

2. At the IPSASB's March 2019 meeting, staff presented an Issues Paper and draft ED that proposed a wide scope. The proposed scope mirrored ED 70, *Revenue with Performance Obligations*, and ED 71, *Revenue without Performance Obligations*, by including all expense transactions that included a performance obligation and that were not covered by other Standards, as well as non-exchange expenses without a performance obligation.
3. Following comments received after the posting of the Agenda Items for the March 2019 meeting, staff also presented an alternative scope. These alternative proposals identified three groups of expense transactions:
  - (a) The resource provider transfers resources to a resource recipient, who transfers goods or services to third-party beneficiaries (such transactions would be within the scope of the ED);
  - (b) The resource provider transfers resources to a resource recipient, who is not required to transfer specific goods or services to the resource provider or specific third-party beneficiaries (such transactions would be within the scope of the ED);
  - (c) The resource provider transfers resources to a resource recipient, who transfers goods or services to the resource provider (such transactions would be outside the scope of the ED).
4. The IPSASB considered both proposals at its March 2019 meeting, and decided to proceed with the alternative, narrower scope excluding commercial transactions. This narrower scope would cover expense transactions where the resource provider did not directly receive any goods or services in return.
5. The IPSASB also instructed staff to consider whether the ED should include within its scope contracts that are described as grants. In particular, the IPSASB instructed staff to consider research grants where the research is provided to the purchaser, but the purpose of the grant is to ensure that the research is undertaken, not that the grantor benefits directly from the research. Such transactions fall within the third group or transactions in the alternative scope (described in paragraph 3(c) above) as the research is provided to the resource provider.
6. At its March 2019 meeting, the IPSASB also instructed staff to review the Government Finance Statistics (GFS) terminology and, if possible, identify terms for grants and transfers that do not conflict with the GFS terminology, together with appropriate definitions. In giving this instruction, the IPSASB noted that the GFS terminology and definitions might provide a suitable basis for determining the scope of the ED.

*GFS Terminology and Definitions*

7. The draft ED presented at the March 2019 meeting included definitions of “grants”, “contributions” and “other transfers”. Another term (not presented at the March 2019 meeting) that has been used in the IPSASB’s literature without being defined, and which could be used in relation to non-exchange expenses is “donation”.
8. Staff reviewed the definitions in the three statistical reporting manuals:
  - (a) System of National Accounts 2008 (SNA);
  - (b) Government Finance Statistics Manual 2014 (GFSM); and
  - (c) European System of Accounts 2010 (ESA).
9. “Donations” and “contributions” are not defined terms in SNA, GFSM or ESA.
10. “Grants” are not defined terms in SNA or ESA, but are defined in GFSM as “transfers receivable by government units...” or “transfers payable by government units to other resident or nonresident government units or international organizations ...”. This makes them a subset of the term “transfers.”
11. Transfers are defined in SNA and GFSM. ESA also uses the term transfer, but does not define it. The same definition is used in both SNA and GFSM:

*A transfer is a transaction in which one institutional unit provides a good, service, or asset to another unit without receiving from the latter any good, service, or asset in return as a direct counterpart.*
12. In this definition, “institutional units” include public sector entities, private sector and not-for-profit entities and households.
13. SNA, GFSM and ESA all distinguish between capital transfers and current transfers. Capital transfers involve the acquisition or disposal of an asset by at least one of the parties involved, whereas current transfers do not involve the transfer, construction, acquisition or disposal of an asset.
14. The GFS description of capital transfers is consistent with the description of capital grants that the IPSASB has referred to in its Revenue and Non-Exchange Expenses projects. GFSM, however, uses the term capital grant only where the recipient of the grant is a government or international organization.
15. Examples of current transfers provided in the statistical manuals include taxes, grants, subsidies, social benefits and social contributions and other transfers.
16. Staff conclude that the GFS term “transfers” would therefore be generally consistent with the IPSASB’s proposed scope of the ED—expense transactions where the resource provider does not receive any goods or services in return, as described in paragraphs 3(a) and 3(b) above.
17. In concluding that it would be appropriate to base the scope of ED 72 on the GFS definition of “transfers”, staff note the following points
  - (a) The GFS definition of transfers refers to assets as well as to goods and services. Staff consider that this is appropriate.
  - (b) Within GFS, “transfers” refers to both transfers received (revenue) and transfers made (expense). The scope of this ED will need to be clear that it only relates to expense.

- (c) The scope of this ED will also need to make clear that transfers covered by other Standards (such as IPSAS 42, *Social Benefits*) are outside the scope of the ED. In this context, payments to suppliers in respect of individual services may be within the scope of ED 72. The amendments to IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, in respect of individual services proposed by ED 67, *Collective and Individual Services and Emergency Relief*) address the question of whether a provision should be recognized, but do not provide detailed guidance on accounting for the transfer of resources.

*Scope of ED—Impact if Term “Transfers” is used*

18. IPSAS 23 already includes a definition of transfers:

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

19. This definition is not appropriate for ED 72 as it only refers to inflows, not outflows. Staff also note that the current scope of IPSAS 23 is different to that proposed in this ED. By including all inflows of future economic benefits or service potential from non-exchange transactions, other than taxes, IPSAS 23 includes transactions where the resource provider receives goods, services or assets, but the value of the consideration it provides is not approximately equal to the fair value of the goods, services or assets it receives. Consequently, staff do not consider that a definition of a transfer can apply to both IPSAS 23 and this ED, and therefore propose that an alternative term is used.
20. One approach would be to qualify the definition of transfers by referring to a “transfer expense” (a mirror term, “transfer revenue” could be used in the amended IPSAS 23 (ED 71)). Transfer expense is not currently used in the IPSASB’s literature. Transfer revenue is only used in IPSAS 23, and refers to revenue from transfers; adoption of the term transfer revenue in the amended IPSAS 23 (ED 71) should therefore not cause any problems.
21. Transfer expense and transfer revenue are not defined in GFS. Neither term is used in SNA. GFSM uses the term transfer expense once, to refer to expenses from transfers. ESA refers to transfer revenue to refer to revenue from transfers. Staff therefore do not consider that adopting the terms transfer expense and transfer revenue would cause any conflict with the terms used in GFS. Staff notes that harmonization with GFS could be improved by using the term “grants” for transfers between government units, including foreign governments, and international institutions. Staff do not recommend the use of the term “grants” as existing IPSAS do not distinguish between entities based on their economic classification. This could be explained in the Basis for Conclusions.
22. For the purposes of the draft definitions in this Agenda Item, staff has used the term “transfer expense”.

*Research Grants*

23. As noted in paragraph 5 above, at its March 2019 meeting the IPSASB asked staff to consider whether, and if so how, research grants should be included in the scope of the ED. Research grants are resources provided to an entity where the purpose of the grant is to ensure that the research is undertaken rather than to benefit the grantor directly.
24. The terms of the research grant could vary, and this may affect the accounting by the resource provider:

- (a) The terms of the research grant may require the resource recipient to publish the research, without the resource provider gaining any intellectual property rights in the research. Alternatively, there may be no conditions placed on the resource recipient. Staff consider that in both scenarios, there would be no receipt of goods, services or assets by the resource provider, and that the research grant would be within the scope of the ED. Such a grant would also meet the GFS definition of a transfer. Where the transfer includes conditions, these would be referred to as “conditional grants” in GFS.
  - (b) The terms of the research grant may require the resource recipient to deliver the research to the resource provider, with an expectation that the research will be placed into the public domain. Staff identified two possible scenarios for such research:
    - (i) The research agreement requires the resource provider to place the research in the public domain. In such circumstances, staff consider that the research would not meet the definition of an asset of the resource provider, as the resource provider would not control the economic benefits or service potential associated with the research. The requirement that the resource provider place the research in the public domain would mean that the resource provider was unable to deny or restrict access to the economic benefits of the research. Consequently, staff consider that there would be no receipt of goods, services or assets by the resource provider, and that the research grant would be within the scope of the ED.
    - (ii) The research agreement does not require the resource provider to place the research in the public domain, but there is an expectation that the resource provider will do so. In such circumstances, staff consider that the research would meet the definition of an asset of the resource provider as the resource provider would be able to deny or restrict access to the economic benefits of the research. Staff consider that such research grants are likely to be outside the scope of the ED without additional provisions being included in the ED. These are discussed further in paragraphs 27–31 below.
  - (c) The terms of the research grant may require the resource recipient to provide the research to the resource provider, with an expectation that the resource provider will benefit from the research. Staff considers that such research grants would have commercial substance, and it would be appropriate for these to be outside the scope of the ED.
25. Staff considers that the research grants described in paragraphs 24(a) and 24(b)(i) would be within the scope of the ED should the scope be limited to transfers as defined by GFS (i.e., those expense transactions where the resource provider does not receive any goods or services in return).
26. By contrast, the research grants described in paragraph 24(c) would be outside the scope of the ED. Staff considers this to be appropriate because such research grants have commercial substance.
27. This leaves the research grants described in paragraph 24(b)(ii). Staff recommend that such grants should be outside the scope of this ED, as the resource provider will receive an intangible asset (the research).
28. Staff consider that where the resource provider does place the research in the public domain, thereby losing the ability to deny or restrict access to the economic benefits of the research, this would be a subsequent event. IPSAS 31, *Intangible Assets*, includes guidance on derecognizing an intangible asset, which includes recognizing an expense where appropriate.

29. Staff also consider that including such research grants in the scope of the ED would introduce a level of complexity that is unlikely to be justified given the fact that such grants are not expected to be common.
30. If the IPSASB did decide to include such research grants in the scope of the ED, the IPSASB will need to determine the basis for including the grants. Staff have identified two possibilities:
  - (a) By amending or clarifying the GFS definition of a transfer. If the expectation that the resource provider will place the research into the public domain is sufficient to give rise to a non-legally binding obligation, the resource provider will receive no net assets. Defining a transfer in terms of net assets may then be sufficient to cover those research grants where the resource provider intends to place the research into the public domain, but the grant arrangement does not make this a requirement. The IPSASB would need to consider whether a non-legally binding obligation will arise in respect of some or all of this type of research grant; and, if so, whether this provides an appropriate basis for the accounting.
  - (b) If the IPSASB concludes that relying on the existence of a non-legally binding obligation does not provide an appropriate basis for the accounting, then the scope of the ED would need to be extended to include such research grants as a separate type of transaction.
31. Both approaches would add complexity to the project, and staff question whether this would be justified in terms of the potentially limited number of transactions involved.

*Non-Exchange Transactions where the Resources Transferred by the Resource Provider and the Goods or Services Provided by the Resource Recipient in Return are not of Approximately Equal Value*

32. The scope discussed above reflects the IPSASB's decisions at its March 2019 meeting, and would exclude non-exchange transactions where the resource provider receives goods or services, but pays more than their fair value. Entities would need to develop accounting policies for such transactions, and this could be discussed in the Basis for Conclusions.
33. The difference between the fair value of the goods or services to be received and the fair value of the cash or other assets provided is referred to as a subsidy or premium (the draft ED provided at the March 2019 meeting described the difference as a premium). As part of its discussions on subsidies or premiums, the IPSASB will need to consider what guidance on accounting for subsidies or premiums should be provided, and where this guidance should be located. The IPSASB is asked to consider these questions in [Agenda Item 12.2.2](#).

*Diagram Illustrating the Proposed Scope*

34. A diagram illustrating the proposed scope of ED 72, and how this relates to the two Revenue EDs is provided as [Appendix A](#) to this Agenda Item.

*Definitions*

35. This Agenda Item considers the definitions to be included in ED 72 that support the scope of the ED. These include the transactions to be covered and the parties to those transactions. Agreeing these definitions at this meeting will allow staff to further develop the draft ED 72 for the September 2019 meeting. Definitions required to support the accounting arrangements will be considered at the September 2019 meeting.

## Transactions

36. As discussed earlier, the proposed scope of ED 72 covers transactions that satisfy the GFS definition of “transfers”, albeit that some transfers (as defined by GFS) are covered by other IPSAS.
37. As the term “transfers” covers both expenses and revenue, staff propose using the term “transfer expense” to cover the transactions within the scope of the ED, and basing the definition on the GFS definition of “transfers”. The rationale for this recommendation was discussed earlier in paragraphs 20–22.

## Parties to the Transactions

38. The Consultation Paper (CP), *Accounting for Revenue and Non-Exchange Expenses*, described the parties to the transactions as the “resource provider”, “resource recipient” and (where goods or services are transferred to third parties) a “beneficiary”. Staff propose updating the terms to “transfer provider”, “transfer recipient” and “third-party beneficiary” to align with the use of the term “transfer expense” and to emphasize the fact that beneficiaries in this context are third parties.
39. At the March 2019 meeting, staff proposed using the term “purchaser” when the Public Sector Performance Obligation Approach (PSPOA) is used. This was consistent with the approach taken in the Revenue project. Staff no longer consider this appropriate as a purchaser in the Revenue project may be paying for goods or services to be transferred to itself, which is not the case in this ED. Staff therefore recommend the use of the term “transfer provider” as discussed above.
40. The terms transfer provider, transfer recipient and third-party beneficiary are used in the rest of this Agenda Item when discussing transactions wholly within the scope of ED 72. Resource provider and resource recipient are used when discussing transactions that are, or may be, outside the scope of ED 72.

## Draft Definitions

41. The definitions will need to reflect the scope of ED 72, as agreed by the IPSASB. [Appendix B](#) to this Agenda Item sets out the proposed definitions for the scope recommended by staff and for the two alternative scenarios discussed above. In all cases, the scope of the ED is limited to transfer expenses where the transfer provider does not receive any goods or services in return, with the differences relating to research grants where the transfer recipient delivers the research to the transfer provider, with an expectation (but no requirement) that the research will be placed in the public domain. Research grants are discussed above in paragraphs 23–31. Definitions are therefore provided for the following scenarios:
  - (a) Such research grants are excluded from the scope of the ED (staff recommendation);
  - (b) Such research grants are included on the basis that a non-legally binding obligation will exist; and
  - (c) Such research grants are included by means of a separate definition.
42. Unless the Board decides to specifically include such research grants, the definitions proposed are those in column A of [Appendix B](#).

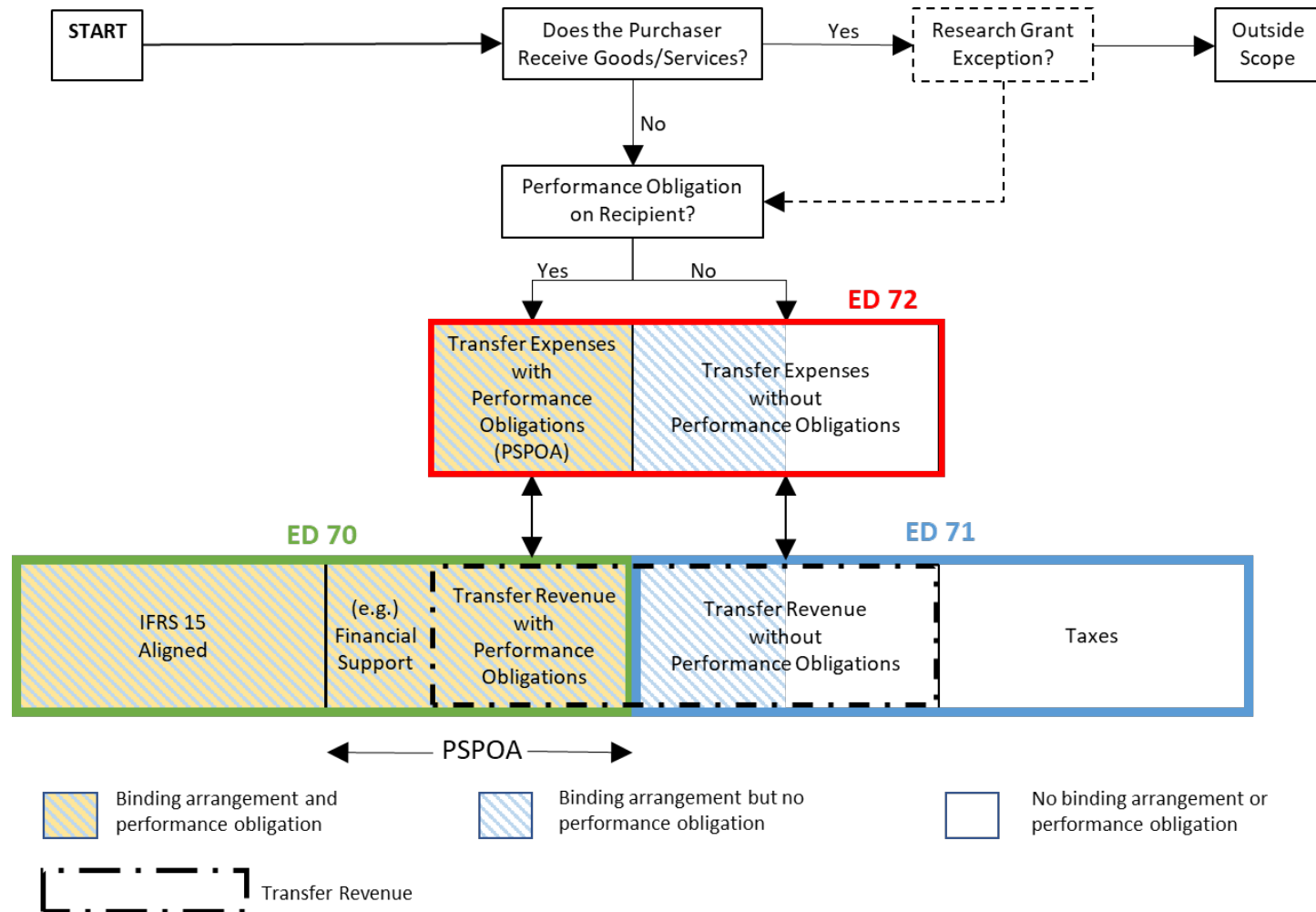
### **Decisions Required**

43. Staff recommends that the scope of the ED be limited to transfer expense transactions where the transfer provider does not receive any goods or services in return, and exclude research grants where the transfer recipient delivers the research to the transfer provider, with an expectation (but no requirement) that the research will be placed into the public domain.
44. If the IPSASB accepts the staff recommendation on the scope of the ED, staff further recommends a title for ED 72 of "Transfer Expenses". The IPSASB is asked to agree this title, or to suggest alternatives.
45. If the IPSASB accepts the staff recommendation on the scope of ED 72, it is asked whether it supports the following terms and related definitions proposed by staff (column A in [Appendix B](#)):
  - (a) Transfer expense;
  - (b) Transfer provider;
  - (c) Transfer recipient; and
  - (d) Third-party beneficiary.
46. If the IPSASB does not accept the staff recommendation on the scope of ED 72, and decides instead to include research grants where the transfer recipient delivers the research to the transfer provider, with an expectation (but no requirement) that the research will be placed into the public domain, the IPSASB is asked whether:
  - (a) The definition of a transfer expense should be extended to include such research grants, on the basis that the resource provider will have a non-legally binding obligation to make the research widely available (column B); or
  - (b) Such research grants should be included in the ED as a separate type of transaction (column C).

# Appendix A

## To Agenda Item 12.2.1

Diagram Illustrating Proposed Scope of ED



## Appendix B

### To Agenda Item 12.2.1

#### Draft Definitions

The definitions will need to reflect the scope of the ED, which will depend on whether, and if so how, the IPSASB agrees to include research grants that are delivered to the transfer provider with an intention, but no requirement that the research be placed into the public domain.

Term	A - Not Included (Staff Recommendation)	B - Included – Non-Legally-Binding Obligation	C - Included – Specific Definition
<b>Transfer Expense</b>	A transfer expense is a transaction in which a transfer provider provides a good, service, or asset to another entity without receiving any good, service, or asset.	A transfer expense is a transaction in which a transfer provider provides a good, service, or asset to another entity without receiving any good, service, or asset.  <b>In determining whether a transaction meets the definition of a transfer expense, an entity is deemed not to have received a good, service, or asset where it receives research under a research grant and simultaneously assumes a liability to place that research into the public domain.</b>	A transfer expense is a transaction in which a transfer provider provides a good, service, or asset to another entity without receiving any good, service, or asset.  <b>[No change from A]</b>
<b>Transfer provider</b>	A transfer provider is an entity that provides resources to a transfer recipient through a transfer expense.	A transfer provider is an entity that provides resources to a transfer recipient through a transfer expense.  <b>[No change from A]</b>	A transfer provider is an entity that provides resources to a transfer recipient through a transfer expense <b>or research grant.</b>
<b>Transfer recipient</b>	A transfer recipient is an entity that receives resources from a transfer provider through a transfer expense.	A transfer recipient is an entity that receives resources from a transfer provider through a transfer expense.  <b>[No change from A]</b>	A transfer recipient is an entity that receives resources from a transfer provider through a transfer expense <b>or research grant.</b>

Term	A - Not Included (Staff Recommendation)	B - Included – Non-Legally-Binding Obligation	C - Included – Specific Definition
<b>Third-party beneficiary</b>	<p>A third-party beneficiary is an entity, household or individual who will benefit from a transaction made between two other parties by receiving assets, goods or services.</p> <p>[The following additional guidance is proposed for the Application Guidance:  The third-party beneficiary is not a party to the transaction itself, but if the transaction is completed, stands to receive services (or, less commonly, goods or assets).]</p>	<p>A third-party beneficiary is an entity, household or individual who will benefit from a transaction made between two other parties by receiving assets, goods or services.</p> <p>[The following additional guidance is proposed for the Application Guidance:  The third-party beneficiary is not a party to the transaction itself, but if the transaction is completed, stands to receive services (or, less commonly, goods or assets).]</p> <p><b>[No change from A]</b></p>	<p>A third-party beneficiary is an entity, household or individual who will benefit from a transaction made between two other parties by receiving assets, goods or services.</p> <p>[The following additional guidance is proposed for the Application Guidance:  The third-party beneficiary is not a party to the transaction itself, but if the transaction is completed, stands to receive services (or, less commonly, goods or assets).]</p> <p><b>[No change from A]</b></p>

# Agenda Item

## 12.2.2

### Subsidies or Premiums

#### Questions

1. The IPSASB is asked to decide on the guidance to be provided on accounting for subsidies or premiums, and the location of that guidance.

#### Detail

##### *Background*

2. IPSAS 9, *Revenue from Exchange Transactions*, defines non-exchange transactions:

*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.*

3. Paragraph 32 of [Agenda Item 12.2.1](#) notes that a transfer provider may pay more than the fair value of the goods or services that it receives. In some cases, this may be a commercial decision, for example where the difference between the price paid and the fair value of the goods or services received reflects a premium for quick delivery.
4. In other circumstances, however, the difference between the price paid and the fair value of the goods or services received reflects a subsidy or premium that the entity has chosen to pay. For example, a central government may elect to purchase services from a local government entity or a not-for-profit organization, and pay a price for those services that exceeds their fair value, and the local government entity's or not-for-profit organization's costs of providing those services.
5. Similar issues will arise where the goods or services are provided to a third-party beneficiary if the binding arrangement to provide goods or services to third-party beneficiaries includes a subsidy or premium.
6. In both cases, the transfer recipient will receive revenue in excess of the fair value for the goods and services being provided.

##### *Treatment in GFS*

7. Subsidies are defined in the three statistical accounting manuals (System of National Accounts 2008 (SNA); Government Finance Statistics Manual 2014 (GFSM); and European System of Accounts 2010 (ESA)).
8. The wording of the definition is slightly different in each manual, but the key elements are the same, and the definition in GFSM is provided below:

*Subsidies are current unrequited transfers that government units make to enterprises on the basis of the level of their production activities or the quantities or values of the goods or services they produce, sell, export, or import.*

9. The definition of a subsidy in GFS does not fully align with the transactions discussed above. In GFS, subsidies are unrequited transfers from government to enterprises based on the level of their production activities. GFS notes that all transfers between government entities, including foreign governments, and government entities and international organizations, are treated as grants.
10. In GFS, the subsidy or premium portion of a transaction would be recorded separately, whether it was classified as a subsidy or a grant under GFS.

#### *Existing Guidance in IPSAS*

11. IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets* includes provisions in respect of onerous contracts that may, in the absence of any alternative provisions, apply to non-exchange expenses where a subsidy or premium is being provided.
12. IPSAS 19 defines an onerous contract as follows:  
*An onerous contract is a contract for the exchange of assets or services in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits or service potential expected to be received under it.*
13. While the guidance on onerous contracts indicates that the provisions were developed with the supplier in mind, staff consider that the definition is sufficiently wide to include the purchaser (the transfer provider in ED 72).
14. IPSAS 19 notes that an executory contract which permits a party to the contract to cancel the contract without penalty until the other party has performed is not onerous, as until the other party performs, there is no obligation.
15. Where a resource provider does not recognize a provision for an onerous contract, it will recognize an expense when the goods or services are received. Where the resource provider receives an asset or inventory, then it will recognize an expense as the asset is impaired or the inventory is written down.
16. IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*, provides guidance on accounting for non-exchange revenue. The surplus or premium would be recognized as revenue when it was received (or receivable), unless there were conditions associated with the surplus or premium. In such cases, the surplus or premium would be recognized as revenue as the conditions were satisfied.

#### *Accounting Options – Expenses*

##### Option 1: No Additional Guidance

17. Under this option, no additional guidance would be provided. Instead, resource providers would apply the requirements of IPSAS 19 in respect of onerous contracts. A subsidy or premium would be recognized as an expense when a contract or other binding arrangement became onerous; for a subsidy or premium, this could be at initial recognition.
18. Staff note that this is consistent with the treatment of onerous contracts under IFRS 15, *Revenue from Contracts with Customers*. In its Basis for Conclusions, the IASB explains that the existing requirements in IFRS (which are the same as in IPSAS 19) are sufficient for identifying onerous contracts and that no further guidance is required.

19. This option is also consistent with the GFS treatment of subsidies and grants, where these elements are reported separately.
20. Adopting this option would also result in consistent accounting for subsidies or premiums that:
  - (a) Relate to goods or services provided to third-party beneficiaries (where the binding arrangements are within the scope of this ED); and
  - (b) Relate to goods or services provided to the resource provider (where the binding arrangements are outside the scope of this ED).
21. Adopting this option may, however, result in practical implementation issues. To determine whether a subsidy or premium was being paid, the resource provider would need to assess whether the value of the goods or services obtained by the resource recipient was approximately equal to the fair value of the consideration provided by the resource provider. This is the same as determining whether a transaction is an exchange transaction or a non-exchange transaction, and may be difficult to determine, particularly where there is a limited market for the goods or services. The practical difficulty in making this determination was one of the main factors that led the IPSASB to develop the Public Sector Performance Obligation Approach (PSPOA).

#### Option 2: Classify the Provision as a Subsidy or Premium

22. Under this option, the accounting arrangements would be the same as for Option 1, but with guidance provided. However, the provision and related expense would be classified as a subsidy or premium (the terminology is discussed later in this Agenda Item). As with option 1, this option is consistent with the GFS treatment of subsidies and grants, where these elements are reported separately. The implementation difficulties that apply to option 1 would also apply to this option.
23. Guidance on the classification will need to be developed. This could be included in ED 72, or as an amendment to IPSAS 19. If the guidance is included in this ED, equivalent guidance would be required in IPSAS 19 if the same classification were to be applied to binding arrangements for goods or services to be provided to the resource provider (which are outside the scope of ED 72).

#### Option 3: Recognize Expense in Accordance with the Public Sector Performance Obligation Approach

24. Under this approach, the resource provider would recognize the subsidy or premium as an expense at the same time as it recognized the remaining expense in line with the PSPOA.
25. Under this approach, the resource provider would not need to consider whether the contract or other binding arrangement was onerous, but would apply the PSPOA in all cases. The subsidy or premium would not be reported as a separate component, but would be included in the overall expense.
26. The rationale for adopting this approach is that the cost of determining:
  - (a) Whether each transaction that includes a subsidy or premium is an onerous contract; and
  - (b) Separating those transactions that are onerous into the subsidy or premium component and the component for the purchase of the goods or services

Is likely to outweigh the benefits of so doing. A consequence of selecting this approach on cost-benefit grounds is that this option is not consistent with the GFS treatment of subsidies and grants.

27. As noted in paragraph 21 above, there are likely to be practical difficulties with determining the subsidy or premium that is being paid, especially where there is a limited market for the goods or

services being transferred. Such practical difficulties will increase the costs of accounting for the subsidy or premium separately, whereas applying the PSPOA in all cases will avoid this complexity.

28. These difficulties were one of the factors behind the IPSASB developing the PSPOA. Requiring the subsidy or premium to be accounted for separately would undermine the rationale for adopting the PSPOA for expense transactions.
29. The accounting requirements for the PSPOA will be included in the ED, and guidance will be required to clarify that any subsidy or premium is accounted for in accordance with the PSPOA, and not treated as a separate component. An amendment to IPSAS 19, to remove such transactions from the scope of the onerous contract provisions, would be necessary.
30. Because binding arrangements for goods or services to be provided to the resource provider are outside the scope of this ED, additional amendments would be required to enable such transactions to be treated in a consistent manner. At a minimum, it will be necessary to remove these transactions from the scope of the onerous contract provisions in IPSAS 19. This amendment could cover both groups of transactions, and scope out any contracts or other binding arrangement where the arrangement includes, at inception, a subsidy or premium.
31. Because the ED will not cover binding arrangements for goods or services to be provided to the resource provider, entities will need to develop their own accounting policies. It cannot be guaranteed that these will be identical to the PSPOA. However, removing these transactions from the scope of the onerous contract provisions of IPSAS 19 will allow entities to develop accounting policies that enable consistent accounting.

#### Staff Recommendation

32. Staff consider that requiring separate recognition of the subsidy or premium being paid is likely to result in practical implementation difficulties and increased costs, and may undermine the rationale for adopting the PSPOA for expenses. Staff note that there was support from stakeholders for adopting the PSPOA for some expense transactions. For these reasons, staff recommends that Option 3, recognize expense in accordance with the PSPOA, be adopted.

#### Accounting Options – Revenue

33. Where the resource provider includes a subsidy or premium in the price that they pay to the resource recipient, this raises the question of whether the subsidy or premium is part of the transaction price, or a separate component of the binding arrangement. Draft ED 70, *Revenue with Performance Obligations*, based on IFRS 15, *Revenue from Contracts with Customers*, acknowledges that a binding arrangement with a purchaser may be partially within the scope of the ED and partially within the scope of other Standards.
34. In considering the accounting options for revenue, it should be noted that consistency of accounting for the revenue and expense sides of a transaction is likely to be beneficial to preparers of consolidated financial statements where one level of government provides subsidies or premiums to another level, and both are part of a single economic entity.

#### Option 1: Treat the Subsidy or Premium as a Separate Component

35. Under this approach, the subsidy or premium would not be included in the transaction price under the PSPOA, but would be treated as a separate component of the binding arrangement. The subsidy

or premium would be recognized as revenue at the point at which the resource recipient was entitled to the subsidy or premium. This may be at the point that the resource recipient enters into the binding arrangement or, where the binding arrangement is an executory contract, as the resource recipient meets its performance obligations.

36. This option is consistent with option 1 (no additional guidance) and option 2 (classify the provision as a subsidy or premium) for expenses. As with those options, this option is consistent with the GFS treatment of subsidies and grants.
37. As with option 1 and option 2 for expenses, there are likely to be practical implementation difficulties with treating the subsidy or premium as a separate component.

#### Option 2: Recognize Revenue in Accordance with the Public Sector Performance Obligation Approach

38. Under this approach, the resource recipient would include the subsidy or premium in the transaction price, and recognize the subsidy or premium as revenue at the same time as it recognized the remaining revenue in line with the PSPOA. This approach is consistent with option 3 for expenses.
39. The rationale for selecting this option is the same as for option 3 for expenses, the balance between costs and benefits, and the avoidance of practical implementation difficulties. In addition, the resource recipient may not have the information needed to determine whether the resource provider is intending to provide a subsidy or premium, or is paying above fair value for other reasons.
40. As with option 3 for expenses, this option is not consistent with the GFS treatment of subsidies and grants.

#### Staff Recommendation

41. Staff consider that requiring separate recognition of the subsidy or premium being paid is likely to result in practical implementation difficulties and increased costs, and may undermine the rationale for adopting the PSPOA for revenue. Staff note that there was support from stakeholders for adopting the PSPOA for some non-exchange revenue transactions. For these reasons, staff recommends that Option 2, recognize revenue in accordance with the PSPOA, be adopted.
42. As noted in paragraph 34 above, consistency of accounting for the revenue and expense sides of a transaction is likely to be beneficial to preparers of consolidated financial statements where one level of government provides subsidies or premiums to another level, and both are part of a single economic entity. If the IPSASB agrees with the staff recommendation in respect of expenses, this is a further reason for adopting option 2 for revenue.
43. It should be noted that the recommended options would not preclude an entity from providing additional supporting analysis if it was desired in order to provide information for GFS purposes. However, appropriate data sources would be required, and this could reduce the cost benefits of applying the PSPOA approach.

#### Terminology

44. This Agenda Item refers to the difference between the value of the resources transferred by the resource provider and the fair value of the goods or services received (by the resource provider or a third-party beneficiary) as a subsidy or premium.

45. If the IPSASB decides to include guidance on this issue in its literature, the IPSASB will also need to decide which term to use.
46. Neither “subsidy” nor “premium” are defined in the IPSASB’s literature. However, both are defined in GFS; “subsidy” as set out in paragraph 8 above, and “premium” in terms of insurance or financial instruments.
47. While staff consider that the term “subsidy” best describes the economic substance discussed in this Agenda Item, using this term would introduce a difference with GFS that the IPSASB may wish to avoid. Another term that could be used is “financial support”.

#### Staff Recommendation

48. Staff recommends that the term “financial support” be used to avoid a potential conflict with the terminology used in GFS.

#### Decisions Required

49. The IPSASB is asked to support the following staff recommendations:
  - (a) Option 3 (recognize expense in accordance with the PSPOA) be used in accounting for subsidies or premiums for expense transactions;
  - (b) Option 2 (recognize revenue in accordance with the PSPOA) be used in accounting for subsidies or premiums for revenue transactions, noting that the use of consistent options for expenses and revenue is likely to be beneficial for preparers; and
  - (c) The term “financial support” to be used in describing subsidies or premiums.

# Agenda Item

## 12.2.3

### Additional Material to be Included in Exposure Draft 72

#### Questions

1. The IPSASB is asked to decide whether additional guidance on levies, budget appropriations and subsequent measurement be included in Exposure Draft (ED) 72.

#### Detail

2. Since the March 2019 meeting, staff has identified the following transactions and issues which may merit additional requirements or guidance being included in ED 72:
  - (a) Levies;
  - (b) Budget appropriations; and
  - (c) Subsequent measurement of non-contractual payables.

#### Levies

3. In May 2013, the IASB issued IFRIC 21, *Levies*. IFRIC 21 describes a levy as  
*An outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (ie laws and/or regulations), other than:*
  - (a) *those outflows of resources that are within the scope of other Standards (such as income taxes that are within the scope of IAS 12 Income Taxes); and*
  - (b) *finances or other penalties that are imposed for breaches of the legislation.*
4. Under IFRIC 21, the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.
5. This approach is consistent with the recognition approach proposed in the draft Expenses ED discussed at the March 2019 meeting, under which an expense not related to a performance obligation would be recognized at the earlier of the following dates:
  - “(a) When the entity has a present obligation to transfer resources to a beneficiary or resource recipient. In such cases, the entity shall recognize a liability representing its obligation to transfer the resources; and
  - (b) When the entity ceases to control the resources; this will usually be the date at which it transfers the resources to the beneficiary or resource recipient. In such cases, the entity derecognizes the resources it ceases to control in accordance with other Standards.”
6. The approach in IFRIC 21 is also consistent with the approach to recognizing revenue from levies under IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*. Under IPSAS 23, an entity recognizes revenue from taxes and similar transactions when the taxable event occurs; the definition of the taxable event is consistent with the obligating event identified in IFRIC 21.
7. Staff consider that some levies, for example property taxes, will be paid by some public sector entities. Staff therefore propose to include guidance based on IFRIC 21 in the Application Guidance of the ED. Staff notes that the term levies is used with different meanings in different jurisdictions, and that

an alternative term such as “compulsory levies” may be preferable. Staff will consider the term to be used in developing the guidance.

8. An entity is not required to apply IFRIC 21 to liabilities that arise from emissions trading schemes. Staff recommends that this exclusion should be maintained for ED 72, given the fact that the IPSASB’s work on emissions trading schemes is currently on hold.

#### *Budget Appropriations*

9. IPSAS 24, *Presentation of Budget Information in Financial Statements*, defines an appropriation as:  
*An authorization granted by a legislative body to allocate funds for purposes specified by the legislature or similar authority.*
10. Within a government’s consolidated financial statements, budget appropriations made from a Consolidated Fund or equivalent entity and budget appropriations received by ministries, departments and agencies should eliminate to zero.
11. However, the payment of the appropriations by the Consolidated Fund or equivalent entity, and the receipt of the appropriation by individual ministries, departments and agencies will need to be recognized in the financial statements produced by those entities.
12. GFS addresses this issue through consolidation; the Government Finance Statistics Manual 2014 notes that:  
*In general, all entities funded by appropriations made in accordance with a budget controlled by the legislature are not separate institutional units and are treated as constituting a single institutional unit.*

#### *Appropriations*

13. Staff propose to include Application Guidance on recognition and measurement of appropriations given in the ED. This will only be relevant to the entity that makes appropriations, but will need to address similar issues to those discussed below when considering the impact of appropriations on binding arrangements (paragraphs 15–20).

#### *Appropriations Received*

14. Staff note that jurisdictions have different views regarding the question of whether the receipt of an appropriation is revenue or an ownership contribution (effectively from the government to the ministry, department or agency). IPSAS 23 is currently silent on this matter, and staff have not made any proposals in respect of this issue to date.

#### *Impact of Appropriations on Binding Arrangements*

15. A key question to be considered in respect of transfer expenses (and the corresponding revenue) is whether, in the case of multi-year arrangements, the requirement that future installments are dependent on subsequent annual appropriations limits any liability (or asset in the case of the corresponding revenue) to the current year’s installment.
16. Where future installments are dependent on subsequent appropriations, staff is of the view that there is no legal obligation until the appropriation is approved. Consequently, the only legal obligation is for the current year’s installment.

17. The IPSASB will need to consider whether, despite the fact that a future appropriation is required, a non-legally binding obligation can arise that would give rise to a liability (or asset in the case of the corresponding revenue).
18. If a non-legally binding obligation can arise, a liability (and corresponding asset) may arise for the full amount of the multi-year arrangement; if not, the liability (and corresponding asset) would be limited to the amount for the current year.
19. Three elements need to be present for a non-legally binding obligation to arise:
  - (a) The entity has indicated to other parties by an established pattern of past practice, published policies, or a sufficiently specific current statement that it will accept certain responsibilities. In the case of a multi-year arrangement, this would be the signing of the arrangement itself.
  - (b) As a result of such an indication, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities

And

  - (c) The entity has little or no realistic alternative to avoid settling the obligation arising from those responsibilities.
20. Staff consider that it is unlikely that a valid expectation would arise where the other party was aware that future installments could only be paid if an appropriation was approved. Even if a valid expectation does arise, staff consider that the entity would have a realistic alternative—that of not approving the appropriation. Staff therefore recommend that the IPSASB agree to include guidance in the EDs that where a binding arrangement is dependent on future appropriations, a liability (and corresponding asset) can only arise in respect of the current year.

#### *Subsequent Measurement of Non-Contractual Payables*

21. The Consultation Paper (CP), *Accounting for Revenue and Non-Exchange Expenses*, discussed the subsequent measurement of non-contractual payments, and sought stakeholders' views on how to account for these.
22. The IPSASB considered the responses to the CP at its March 2018 meeting, and noted that the approach with most support was the cost of fulfillment approach (now fulfillment value). The IPSASB also agreed that, for practical purposes, this would produce the same results as following the requirements in IPSAS 19.
23. Non-contractual payables will include items such as levies which are within the scope of this ED. Staff therefore considers it appropriate to include requirements for the subsequent measurement of non-contractual payables in the ED.

#### **Decisions Required**

24. The IPSASB is asked whether it supports the inclusion in the ED of requirements in respect of:
  - (a) Levies;
    - (i) If so, does the IPSASB wish to exclude liabilities arising from emission trading schemes from this requirement?

- (b) Budget appropriations; and
  - (i) If so, does the IPSASB support the staff recommendation that where a binding arrangement is dependent on future appropriations, a liability (and corresponding asset) can only arise in respect of the current year; and
- (c) Subsequent measurement of non-contractual payables.

# Agenda Item

## 12.2.4

### Examples to be Included in Exposure Draft 72

#### Questions

1. The IPSASB is asked to agree the examples to be included in the Exposure Draft.

#### Detail

2. Examples to be included in the Exposure Draft (ED) will come from three sources:
  - (a) Examples regarding the Public Sector Performance Obligation Approach (PSPOA) will be drawn primarily from those in the draft ED 70, *Revenue with Performance Obligations*, which are based on the examples in IFRS 15, *Revenue from Contracts with Customers*.
  - (b) Additional examples developed by the IPSASB and IPSASB staff in taking forward the *Revenue* project.
  - (c) Examples regarding the scope of the ED, and the accounting for expense transactions that are outside of the PSPOA, will be developed by the IPSASB and IPSASB staff. Additional guidance on applying the PSPOA to expense transactions will, if required, also be developed by the IPSASB and IPSASB staff.
3. The examples will follow the structure of ED 72, with examples relating to expenses with performance obligations provided separately from those relating to expenses without performance obligations.

#### Examples based on IFRS 15

4. The examples in IFRS 15 are based on exchange transactions, and involve the transfer of goods or services to the resource provider. Consequently, the scenarios described in these examples will need to be modified, sometimes substantially, to be suitable for this ED. The IPSASB may conclude that, once the scenarios have been modified, the likelihood of the circumstances arising is so low as to justify the omission of the example.
5. The following table lists the examples included in IFRS 15. Unless otherwise stated, it is proposed that these examples will be reworked for the expense context, and included in the ED. Where staff propose to omit an example, the rationale is provided in the table.

Examples	Rationale for exclusion
IDENTIFYING THE CONTRACT	
Example 1—Collectability of the consideration	Relates to the transfer recipient, not the transfer provider
Example 2—Consideration is not the stated price—implicit price concession	Covers likelihood that the transfer provider cannot pay agreed amount
Example 3—Implicit price concession	Covers likelihood that the transfer provider cannot pay standard rate

Examples	Rationale for exclusion
Example 4—Reassessing the criteria for identifying a contract	Covers changes to the transfer provider's credit risk (i.e., own credit risk for this ED)
CONTRACT MODIFICATIONS	
Example 5—Modification of a contract for goods	
Example 6—Change in the transaction price after a contract modification	
Example 7—Modification of a services contract (as amended in ED 70)	
Example 8—Modification resulting in a cumulative catch-up adjustment to revenue	
Example 9—Unapproved change in scope and price	
IDENTIFYING PERFORMANCE OBLIGATIONS	
Example 10—Goods and services are not distinct	
Example 11—Determining whether goods or services are distinct (as amended in ED 70)	
Example 12—Explicit and implicit promises in a contract	IFRS 15 covers sales to a distributor; this would involve the transfer provider receiving goods for its own use, which is outside the scope of the ED. Modifications for ED 70 are likely to be relevant to the transfer recipient not the transfer provider
PERFORMANCE OBLIGATIONS SATISFIED OVER TIME	
Example 13—Customer simultaneously receives and consumes the benefits (as amended in ED 70)	
Example 14—Assessing alternative use and right to payment (as amended in ED 70)	
Example 15—Asset has no alternative use to the entity (as amended in ED 70)	Remove if also removed in ED 70
Example 16—Enforceable right to payment for performance completed to date	
Example 17—Assessing whether a performance obligation is satisfied at a point in time or over time	Covers the sale of a single unit as the resource recipient develops a multi-unit residential complex. To be relevant to this ED, the transfer provider would need to purchase the unit for a third-party beneficiary. The IPSASB is asked if this example is required

Examples	Rationale for exclusion
MEASURING PROGRESS TOWARDS COMPLETE SATISFACTION OF A PERFORMANCE OBLIGATION	
Example 18—Measuring progress when making goods or services available (as amended in ED 70)	
Example 19—Uninstalled materials	Covers the refurbishment of a building, using the input method, and as such is unlikely to be relevant to this ED.
VARIABLE CONSIDERATION	
Example 20—Penalty gives rise to variable consideration	
Example 21—Estimating variable consideration	
CONSTRAINING ESTIMATES OF VARIABLE CONSIDERATION	
Example 22—Right of return	The scenario where a transfer provider pays for goods to be delivered to third-party beneficiaries, who have the right to return the goods, is unlikely to arise
Example 23—Price concessions	Covers cases where the transfer provider gains control of goods as a distributor or reseller
Example 24—Volume discount incentive	
Example 25—Management fees subject to the constraint	The scenario where a transfer provider pays for an asset management service for a third-party beneficiary is unlikely to arise; if the service related to the transfer provider's assets being used to provide services to third-party beneficiaries, this would be a service concession arrangement.
THE EXISTENCE OF A SIGNIFICANT FINANCING COMPONENT IN THE CONTRACT	
Example 26—Significant financing component and right of return	The right of return component would be omitted (see example 22)
Example 27—Withheld payments on a long-term contract	
Example 28—Determining the discount rate	
Example 29—Advance payment and assessment of the discount rate	

Examples	Rationale for exclusion
Example 30—Advance payment	
NON-CASH CONSIDERATION	
Example 31—Entitlement to non-cash consideration (as amended in ED 70)	
CONSIDERATION PAYABLE TO A CUSTOMER	
Example 32—Consideration payable to a customer	The scenario relates to a retailer who gains control of goods; staff consider it unlikely that consideration will be paid to a transfer provider where any goods or services are provided directly to third-party beneficiaries
ALLOCATING THE TRANSACTION PRICE TO PERFORMANCE OBLIGATIONS	
Example 33—Allocation methodology	
Example 34—Allocating a discount	
Example 35—Allocation of variable consideration	Covers sales-based royalties, which require the transfer provider to gain control of the license
CONTRACT COSTS	
Example 36—Incremental costs of obtaining a contract	Only relates to the transfer recipient
Example 37—Costs that give rise to an asset	Only relates to the transfer recipient
PRESENTATION	
Example 38—Contract liability and receivable	
Example 39—Contract asset recognized for the entity's performance	
Example 40—Receivable recognized for the entity's performance	
DISCLOSURE	
Example 41—Disaggregation of revenue—quantitative disclosure	To be reviewed once the IPSASB has considered disclosure requirements
Example 42—Disclosure of the transaction price allocated to the remaining performance obligations	
Example 43—Disclosure of the transaction price allocated to the remaining performance obligations—qualitative disclosure	
WARRANTIES	
Example 44—Warranties	Only relates to the transfer recipient

Examples	Rationale for exclusion
PRINCIPAL VERSUS AGENT CONSIDERATIONS	
Example 45—Arranging for the provision of goods or services (entity is an agent)	Examples are only relevant to the transfer recipient It may be appropriate to include examples where the transfer provider receives grants from an international agency to be passed on to third-party beneficiaries (individuals and households or charities) – if so the example should also be included in the revenue project EDs
Example 46—Promise to provide goods or services (entity is a principal)	
Example 46A—Promise to provide goods or services (entity is a principal)	
Example 47—Promise to provide goods or services (entity is a principal)	
Example 48—Arranging for the provision of goods or services (entity is an agent)	
Example 48A—Entity is a principal and an agent is in the same contract	
CUSTOMER OPTIONS FOR ADDITIONAL GOODS OR SERVICES	
Example 49—Option that provides the customer with a material right (discount voucher)	
Example 50—Option that does not provide the customer with a material right (additional goods or services)	
Example 51—Option that provides the customer with a material right (renewal option)	Not clear renewal options will be relevant where the transfer provider does not control the goods or services
Example 52—Customer loyalty programme	Only relates to the transfer recipient
NON-REFUNDABLE UPFRONT FEES	
Example 53—Non-refundable upfront fee (as amended in ED 70)	
LICENSING	
Example 54—Right to use intellectual property (as amended in ED 70)	
Example 55—License of intellectual property	Example appears to relate to commercial transactions only
Example 56—Identifying a distinct license (as potentially amended in ED 70)	
Example 57—Franchise rights	Examples appear to relate to commercial transactions only
Example 58—Access to intellectual property	
Example 59—Right to use intellectual property	
Example 60—Sales-based royalty for a license of intellectual property	
Example 61—Access to intellectual property	

Examples	Rationale for exclusion
REPURCHASE AGREEMENTS	
Example 62—Repurchase agreements	Transfer provider would gain control of the asset in both scenarios
BILL-AND-HOLD ARRANGEMENTS	
Example 63—Bill-and-hold arrangement	

*Additional Examples from the Revenue Project*

6. Agenda Items 10 (*Revenue with Performance Obligations*) proposes additional examples to be included in ED 70. The following table lists those examples. Unless otherwise stated, it is proposed that these examples will be reworked for the expenses context, and included in the ED. Where staff propose to omit an example, the rationale is provided in the table.

Examples	Rationale for exclusion
Example to distinguish transactions within the scope of the [draft] ED 70 and updated IPSAS 23 (ED 71)	The scope of this ED differs from the revenue project, and a specific example will be developed
Binding arrangements whose consideration is not probable needs to be added	Only relevant to the transfer recipient
Binding arrangements whose consideration is not probable with Purchased or Originated Credit Impaired Financial Instruments	Only relevant to the transfer recipient
Enforceability and binding arrangements	
Examples illustrating tripartite arrangements and binding arrangements	All expense examples will need to be reworked to refer to third-party beneficiaries; no additional examples required
Requirements for identifying whether a transaction or agreement involves a performance obligation	
Enforceable agreement exists but there are no separately identifiable promises to transfer goods or services	
Assessment of whether the performance has occurred, i.e., whether the obligation has been satisfied	
Enforceability and performance obligations	
Examples illustrating tripartite arrangements and performance obligations	All expense examples will need to be reworked to refer to third-party beneficiaries; no additional examples required

7. Staff will also review examples developed for ED 71, *Revenue without Performance Obligations*, and include those that are relevant to expenses. Some of these may be covered by the examples that staff proposes to develop for this ED.

*Examples Developed for this ED*

8. Staff consider that additional examples will be required to illustrate issues that do not arise in the revenue project, or where further guidance on the expense context is required. The following table lists the possible additional examples that staff has identified.

<b>Examples</b>
Scope – transfer of goods or services to third-party beneficiaries only
Scope – research grants (if included in ED) – either as part of donations or as separate transactions, depending on the approach chosen by the IPSASB
Subsidies or premiums – example will be dependent on approach chosen by the IPSASB
Expenses with no performance obligations – recognize expense when obligation becomes binding
Expenses with no performance obligations – recognize expense when resources transferred
Expenses with no performance obligations – multi-year grants
Expenses with no performance obligations – capital grants
Expenses – levies (see <a href="#">Agenda Item 12.2.3</a> )
Expenses – budget appropriations (see <a href="#">Agenda Item 12.2.3</a> )
Subsequent measurement of non-contractual payables (see <a href="#">Agenda Item 12.2.3</a> )
Disclosures – examples will be dependent on options agreed by the IPSASB at September 2019 meeting

**Decisions Required**

9. The IPSASB is asked to indicate whether it supports the staff recommendations regarding the examples, or whether:
- (a) Some examples recommended for omission should be retained;
  - (b) Additional examples should be omitted; and/or
  - (c) Additional examples should be developed.