

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Virtual Meeting

Meeting Date: December 7–10 and 14–15, 2021

Agenda Item 8

For:

☐ Approval

☒ Discussion

☐ Information

REVENUE AND TRANSFER EXPENSES

Project summary	<p>The aim of the Revenue project is to develop one or more standards that provide recognition and measurement requirements for revenue transactions.</p> <p>The aim of the Transfer Expenses project is to develop a standard that provides recognition and measurement requirements applicable to providers of transfer expense transactions, except for social benefits.</p>	
Drafting Group	<ul style="list-style-type: none"> • Ian Carruthers, IPSASB Chair (Drafting Group Chair) • Todd Beardsworth, IPSASB Member • Lindy Bodewig, IPSASB Member • Lynn Pamment, IPSASB Member • Patricia Siqueira Varela, IPSASB Member • Marc Wermuth, IPSASB Member • Johanna Clark, UNICEF 	
Meeting objectives Project management	Topic	Agenda Item
	Revenue and Transfer Expenses: Project Roadmap	8.1.1
	Instructions up to Previous Meeting	8.1.2
	Decisions up to Previous Meeting	8.1.3
Decisions required at this meeting	Transfer Expenses	
	Transfer Expenses without Binding Arrangements: Clarification of Scope and Relationship with IPSAS 19 as a Consequence of Board Decisions and Instructions	8.2.1
	Transfer Expenses without Binding Arrangements: Proposed Accounting Model	8.2.2
	Transfer Expenses with Binding Arrangements: Proposed Accounting Model	8.2.3
	Proposed Drafting in Response to IPSASB Instructions	8.2.4
	Revenue	
	The Concept of a 'Present Obligation' in Revenue Accounting	8.2.5
	The New Term and Definition for 'Present Obligation' in the Revenue Context	8.2.6

	Distinguishing Individual 'Present Obligations'	8.2.7
	Clarifying Specified Activities and Eligible Expenditures	8.2.8
Other supporting items	Supporting Document 1 – Draft Transfer Expenses IPSAS	8.3.1
	Supporting Document 2 – Draft Revenue IPSAS	8.3.2
	Supporting Document 3 – Updated Project Plans	8.3.3

**REVENUE AND TRANSFER EXPENSES:
PROJECT ROADMAP**

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
Revenue with Performance Obligations	
March 2015	1. Approve Project Brief
June 2016	1. Discussion of the performance obligation approach with the Consultative Advisory Group
June 2017	1. Approve Consultation Paper
March 2018 to December 2018	1. Review Responses to the Consultation Paper
March 2019	1. Preliminarily approve the core text and authoritative guidance of the Exposure Draft
June 2019	1. Preliminarily approve updates to the core text and authoritative guidance of the Exposure Draft
December 2019	1. Approve Exposure Draft
March 2020 to September 2020	1. Document Out for Comment
December 2020 to March 2021	1. Review Responses 2. Discuss Issues
June 2021-October 2021	1. Review Responses 2. Discuss Issues 3. Develop IPSAS
December 2021-March 2022	1. Review Responses 2. Discuss Issues 3. Develop IPSAS
June 2022	1. Approve IPSAS
Revenue without Performance Obligations	
March 2015	1. Approve Project Brief
June 2016	1. Discussion of IPSAS 23 Implementation Issues with Consultative Advisory Group
June 2017	1. Approve Consultation Paper
March 2018 to December 2018	1. Review Responses to Consultation Paper
March 2019 to June 2019	1. Develop Underlying Principles of Core Text and Authoritative Guidance
September 2019	1. Review first draft of ED, and discuss issues
December 2019	1. Approve Exposure Draft
March 2020 to September 2020	1. Document Out for Comment

Agenda Item 8.1.1

December 2020 to March 2021	1. Review Responses 2. Discuss Issues
June 2021-October 2021	1. Review Responses 2. Discuss Issues 3. Develop IPSAS
December 2021-March 2022	1. Review Responses 2. Discuss Issues 3. Develop IPSAS
June 2022	1. Approve IPSAS
Transfer Expenses	
March 2018	1. Review of responses – PSPOA 2. Review of responses – subsequent measurement of non-contractual payables
June 2018	1. Discussion of use of PSPOA for non-exchange expenses
September 2018	1. Discussion of use of PSPOA for non-exchange expenses
March 2019	1. Initial discussion of objective and scope 2. Initial discussion of definitions 3. Discussion of PSPOA 4. Initial discussion of presentation 5. Initial discussion of effective date and transition requirements 6. Initial review of draft ED
June 2019	1. Discussion of scope and definitions 2. Discussion of subsidies and premiums 3. Discussion of additional material to be included in the ED 4. Discussion of examples to be included in the ED
September 2019	1. Disclosures – discussion of issues 2. Review of initial draft of ED
December 2019	1. Review of draft ED final amendments 2. Review of examples – exception basis only 3. Approval of ED
March 2020 to September 2020	1. Document Out for Comment
December 2020 to April 2021	1. Review Responses 2. Discuss Issues
June 2021-October 2021	1. Review Responses 2. Discuss Issues 3. Develop IPSAS
December 2021-March 2022	1. Review Responses 2. Discuss Issues 3. Develop IPSAS
June 2022	1. Approve IPSAS

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
Revenue		
October 2021	1. Consider how to communicate alignment with IFRS in supplemental materials.	1. Pending
September 2021	1. Revise authoritative guidance to articulate the principle related to the recognition of a liability (deferred revenue) associated with an entity's (i.e., transfer recipient's) present obligation(s) in a binding arrangement, and ensure non-authoritative guidance clarifies how other liabilities that may arise in a binding arrangement should be accounted for using other IPSAS.	1. In progress
September 2021	2. Consider the identified principle in the context of existing Capital Transfers examples (proposed in ED 71) to confirm that the principle is appropriate, and incorporate additional drafting if necessary.	2. Pending
September 2021	3. Consider how to distinguish the individual present obligations within a binding arrangement.	3. See Agenda Item 8.2.7
September 2021	4. Ensure the draft IPSAS include clear structure and signposting for ease of use.	4. In progress
June 2021	1. Assess and propose guidance on how the uncertainty of enforcement impacts the measurement of revenue or transfer expenses.	1. In progress
June 2021	2. Provide non-authoritative guidance to clarify that an entity should consider both explicit and implicit consequences in its assessment of the mechanisms of enforceability in a binding arrangement.	2. In progress
April 2021	1. Consider whether the term "present obligation" is appropriate when the binding arrangement is equally unfulfilled, as there would not yet be a binding obligation where there is little or no realistic alternative to avoid outflow of resources.	1. In progress – contingent on Agenda Item 8.2.6
March 2021	1. Recommend amended title(s) for the proposed revenue standard(s)	1. In progress – tentatively expect to the title "Revenue" based on October Agenda Item 3.2.1

Agenda Item 8.1.2

	when all key decisions have been made in the Revenue project.	decision to have only one Revenue IPSAS
March 2021	2. Draft guidance to better articulate that performance obligations also entail a greater specificity, and provides more objective and specific identification, recognition, and measurement of revenue.	2. Drafted – discussion by Drafting Group in progress
March 2021	3. Draft additional Basis for Conclusions paragraphs to address concerns from specific constituents to explain why the IPSASB decided to move away from using exchange and non-exchange as defined terms to classify revenue and to explain that it remains an appropriate concept used to describe the economic substance of such transactions in the public sector.	3. Drafted – discussion by Drafting Group in progress
March 2021	4. Draft guidance to clarify how an entity should account for transactions with components within the scope of the two standards, where it is unclear to appropriately allocate transaction price to components under different standards.	4. N/A – no longer necessary based on October Agenda Item 3.2.1 decision to have a single Revenue IPSAS
March 2021	5. Clarify the guidance for situations where the satisfaction of a present or performance obligation occurs prior to the receipt of cash and incorporate this guidance in an example on multi-year arrangements.	5. In progress
December 2020	1. Regarding the staff's proposal to revise the disclosures in the three EDs based on the nature and risks of the various types of revenue and transfer expenses applicable to the public sector, revisit the analysis in more detail and include consideration of which types of revenue and transfer expense transactions are the most prominent in the public sector.	1. In progress
December 2019	1. All instructions provided up until December 2019 were reflected in the Exposure Draft (ED) 70, Revenue with Performance	1. All instructions provided up until December 2019 were reflected in the Exposure Draft (ED) 70, Revenue with Performance

Agenda Item 8.1.2

	Obligations and Exposure Draft (ED) 71, Revenue without Performance Obligations	Obligations and Exposure Draft (ED) 71, Revenue without Performance Obligations
Transfer Expenses		
September 2021	1. Revise the accounting model for transfer expenses with binding arrangements to reflect the possible existence of an asset where the transfer provider transfers cash or other resources prior to the transfer recipient fulfilling its obligations.	1. See Agenda Item 8.2.3
September 2021	2. Propose revised or additional guidance to articulate the principle related to the existence and recognition of an asset associated with an entity's (i.e., transfer provider's) right(s) in a binding arrangement, and what justifies a deferral of expense.	2. See Agenda Item 8.2.3
September 2021	3. Consider the need for additional illustrative examples to demonstrate how service potential is generated when the transfer recipient fulfills certain present obligations.	3. Pending
September 2021	4. Draft a Basis for Conclusion that highlights how the proposed change in principle from what was proposed in ED 72 responds to constituent concerns about the practicality and implementation of proposed guidance.	4. Pending
September 2021	5. Consider implications of monitoring on the ability to reliably measure the asset.	5. Pending
September 2021	6. Propose revised or additional guidance on the subsequent measurement of the transfer provider's asset, including guidance on when the asset should be impaired.	6. See Agenda Item 8.2.3 ; further analysis to follow in Q1 2022.
September 2021	7. Draft additional guidance on the initial measurement of transfer expenses to cover items to be included in their cost such as the transfer recipient's irrecoverable VAT.	7. See Agenda Item 8.2.4
September 2021	8. Propose a revised accounting model for transfer expenses with binding arrangements to better capture the nature and substance of the transaction from a transfer provider perspective.	8. See Agenda Item 8.2.3

Agenda Item 8.1.2

September 2021	9. Ensure the draft IPSAS include clear structure and signposting for ease of use.	9. In progress
June 2021	1. Assess and propose guidance on how the uncertainty of enforcement impacts the measurement of revenue or transfer expenses.	1. In progress
June 2021	2. Provide non-authoritative guidance to clarify that an entity should consider both explicit and implicit consequences in its assessment of the mechanisms of enforceability in a binding arrangement.	2. In progress
April 2021	1. Reconsider the working title of the proposed transfer expense standard after reviewing and assessing constituent comments on scope.	1. In progress – tentatively expect to retain the title ‘Transfer Expenses’ based on September Agenda Item 4.2.3
April 2021	2. Consider whether there are any useful implementation examples that clearly communicate the principles and are jurisdictionally neutral.	2. In progress
April 2021	3. Clarify in guidance that the transfer provider may provide non-cash assets as part of the fulfillment of specific obligations in a binding arrangement.	3. In progress
April 2021	4. Propose guidance on how to account for transfer expense transactions in both the separate and consolidated financial statements of counterparties within the same economic entity, with consideration of any relevant existing guidance in IPSAS 35.	4. In progress
April 2021	5. Consider whether disclosures are necessary for binding arrangements that are equally unfulfilled at reporting date; and if so, what disclosures are required.	5. In progress
April 2021	6. Consider whether the term “present obligation” is appropriate when the binding arrangement is equally unfulfilled, as there would not yet be a binding obligation where there is little or no realistic alternative to avoid outflow of resources.	6. In progress

Agenda Item 8.1.2

April 2021	7. Provide specific guidance through examples on accounting for partially fulfilled binding arrangements.	7. In progress
December 2020	1. Regarding the staff's proposal to revise the disclosures in the three EDs based on the nature and risks of the various types of revenue and transfer expenses applicable to the public sector, revisit the analysis in more detail and include consideration of which types of revenue and transfer expense transactions are the most prominent in the public sector.	1. In progress
December 2019	1. All instructions provided up until December 2019 were reflected in the Exposure Draft (ED) 72, Transfer Expenses	1. All instructions provided up until December 2019 were reflected in the Exposure Draft (ED) 72, Transfer Expenses

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
Revenue		
October 2021	1. Revenue guidance should be presented as a single IPSAS.	1. In progress – see preliminary rough draft in Agenda Item 8.3.2 .
September 2021	1. A transfer recipient recognizes a liability (deferred revenue) in its binding arrangement when it has received resources prior to fulfilling its present obligation(s), and the enforceable terms of the binding arrangement require the entity (i.e., the transfer recipient) to transfer resources to another party if it does not fulfill its present obligations.	1. In progress
September 2021	2. A liability (deferred revenue) is extinguished as the transfer recipient fulfills its present obligations to earn revenue.	2. In progress. Basic for Conclusion (BC) pending.
September 2021	3. The detailed review of guidance in the draft pronouncements, based on Board decisions for the Revenue and Transfer Expenses projects, be delegated to the Drafting Group.	3. In progress. BC pending.
September 2021	4. The guidance in the draft IPSAS based on ED 71 and ED 72 be reordered to require the entity to consider up front whether the transaction arises without or with a binding arrangement.	4. Incorporated – see preliminary rough drafts in Agenda Items 8.3.1 and 8.3.2 . BC pending.
June 2021	1. Retain the definition of a ‘binding arrangement’ in the Revenue standard(s), as it is conceptually consistent with the definitions elsewhere in IPSAS literature, with the following minor wording revisions: include “for the purposes of this Standard,” and “enforceability through legal or equivalent means”, and change “both parties” to “the parties”.	1. Incorporated – see preliminary rough draft in Agenda Item 8.3.2 . BC pending.
June 2021	2. Clarify in the Revenue and Transfer Expenses standards that enforceability is based on the entity’s ability to enforce the binding arrangement and uncertainty of enforcement is a measurement issue.	2. Incorporated – see preliminary rough drafts in Agenda Items 8.3.1 and 8.3.2 . BC pending.

Agenda Item 8.1.3

June 2021	3. Confirm that enforceability is the ability to impose consequences on parties that do not fulfill their agreed-upon obligations in the binding arrangement, and the guidance proposed in paragraph 21 should be added as Application Guidance.	3. Incorporated – see preliminary rough draft in Agenda Item and 8.3.2 . BC pending.
June 2021	4. Confirm that the assessment of enforceability of a binding arrangement occurs at inception and when a significant external change indicates that there may be a change in the enforceability of that binding arrangement.	4. Incorporated – see preliminary rough draft in Agenda Item and 8.3.2 . BC pending.
June 2021	5. Confirm that legal or equivalent means is consistent with ‘legal obligation’ as described in the Conceptual Framework Chapter 5 and is not ‘non-legally binding obligation’	5. Incorporated – see preliminary rough draft in Agenda Item and 8.3.2 . BC pending.
June 2021	6. Revise the definition of a liability in the IPSASB’s Conceptual Framework by replacing ‘outflow of resources’ with ‘transfer of resources’ as the revised wording clarifies (i.e., does not substantially change) the underlying concepts.	6. See Conceptual Framework September Agenda Item 3.2.7. Also incorporated in preliminary rough drafts in Agenda Item 8.3.2 .
June 2021	7. Incorporate additional guidance and examples into the Conceptual Framework on ‘transfer of resources’, as outlined in the Agenda Item, to clarify the ambiguities associated with what entails a ‘transfer of resources’	7. See Conceptual Framework September Agenda Item 3.2.7.
April 2021	1. Confirm, for revenue, that there is no initial recognition when no party has fulfilled its stated obligations under the binding arrangement, unless the binding arrangement is onerous. Accounting for the binding arrangement begins when the binding arrangement is at least partially fulfilled (i.e., at least one party begins to fulfill one or more of its stated obligations).	1. Incorporated – see preliminary rough draft in Agenda Item 8.3.2 . BC pending
April 2021	2. An entity’s right and obligation within a binding arrangement are directly linked and interdependent. When the binding arrangement is wholly unfulfilled, the combined right and obligation constitutes a single asset or liability.	2. See June Agenda Items 6.2.1 and 6.3.1. Final BC reference pending

Agenda Item 8.1.3

March 2021	1. Revise the title(s) of the proposed revenue standard(s) to reflect the nature of revenue transactions in the public sector.	1. In progress – tentatively expect to the title “Revenue” based on October Agenda Item 3.2.1 decision to have only one Revenue IPSAS
March 2021	2. For the time being, continue to present revenue guidance as two separate standards with the standard based on ED 71, <i>Revenue without Performance Obligations</i> first (i.e., Option 1).	2. N/A – no longer necessary based on October Agenda Item 3.2.1 decision to have a single Revenue IPSAS
March 2021	3. Retain the concept of a binding arrangement as a fundamental concept for revenue accounting, and that the existence of rights and obligations within, and enforceability of, a binding arrangement mean that it contains at least one present obligation.	3. June Agenda Items 6.2.1 and 6.3.1 are incorporated – see preliminary rough draft in Agenda Item 8.3.2 . Final BC reference pending
March 2021	4. Adopt the principle that enforceability of a binding arrangement can arise from various mechanisms, so long as the mechanism(s) provide the entity with the ability to enforce the binding arrangement and hold the parties accountable to the satisfaction of stipulated obligations.	4. June Agenda Items 6.2.1 and 6.3.1 are incorporated in draft IPSAS based on ED 71. Final BC reference pending
March 2021	5. Highlight that an entity should assess all relevant factors at the transaction date to determine whether an arrangement is enforceable.	5. June Agenda Items 6.2.1 and 6.3.1 are incorporated – see preliminary rough draft in Agenda Item 8.3.2 . Final BC reference pending
March 2021	6. Retain revenue from performance obligations as a separate type of revenue.	6. In progress – discussion by Drafting Group in progress Final BC reference pending
March 2021	7. Highlight that performance obligations are a subset of present obligations that embody a specific transfer of a distinct good or service to a purchaser or third-party beneficiary.	7. In progress – discussion by Drafting Group in progress Final BC reference pending
March 2021	8. Revise existing Application Guidance to state that, where there is objective evidence that a portion of consideration relates to the transfer of distinct goods or services to the purchaser/transfer provider or a third-party beneficiary, disaggregate the transaction price and account for the component(s) relating to the transfer of distinct	8. N/A – no longer necessary based on October Agenda Item 3.2.1 decision to have a single Revenue IPSAS Final BC reference pending

Agenda Item 8.1.3

	goods or services in accordance with ED 70, <i>Revenue with Performance Obligations</i> then use ED 71 to account for any remaining component(s). If the portion is unclear, account for the entire transaction in accordance with ED 71.	
March 2021	9. Highlight that enforceability in a binding arrangement gives rise to a liability (deferred revenue) for the transfer recipient to the extent that the terms of the arrangement are not yet satisfied.	9. In progress, concurrently with decisions from September Agenda Item 4.2.1
March 2021	10. Proceed with the proposed Revenue project plan, use in-period review sessions as needed, and revisit the need, role, and composition of a Task Force in Q2 2021.	10. See September Agenda Item 4.2.5
December 2020	1. Reorder the draft guidance in ED 70 and ED 71 to begin with ED 71, either as a separate standard, or a combined standard.	1. N/A based on October Agenda Item 3.2.1
December 2020	2. Address concerns over the nature and length of disclosures in all three EDs by taking a principles-based approach focusing on the nature of the transactions and their risks.	2. In progress
December 2019	1. All decisions made up until December 2019 were reflected in the Exposure Draft (ED) 70, Revenue with Performance Obligations and Exposure Draft (ED) 71, Revenue without Performance Obligations	1. All decisions made up until December 2019 were reflected in the Exposure Draft (ED) 70, Revenue with Performance Obligations and Exposure Draft (ED) 71, Revenue without Performance Obligations
Transfer Expenses		
September 2021	1. Where the transfer provider in a binding arrangement transfers cash or other resources prior to the transfer recipient fulfilling its obligations, the transfer provider's enforceable right to have the transfer recipient fulfill its obligations (or face consequences outlined in the binding arrangement) meets the definition of an asset.	1. Incorporated – see draft text in Agenda Item 8.2.3 . BC pending
September 2021	2. As an asset may exist where the transfer provider transfers cash or other resources prior to the transfer	2. Incorporated – see draft text in Agenda Item 8.2.3 . BC pending

Agenda Item 8.1.3

	recipient fulfilling its obligations, the accounting model adopted in ED 72 for transfer expenses where the transfer recipient has a present obligation should not be retained.	
September 2021	3. Revisions, proposed in the Appendices, to address constituent concerns should be incorporated into the draft IPSAS based on ED 72 (except for Recommendation 3 on binding arrangements and onerous contracts).	3. Incorporated – see preliminary rough draft in Agenda Item 8.3.1 BC pending
September 2021	4. The distinction between transfer expenses with performance obligations and transfer expenses without performance obligations previously proposed in ED 72 should be removed, as it is not useful from a transfer provider perspective.	4. Incorporated – see draft text in Agenda Items 8.2.2 and 8.2.3 . BC pending
September 2021	5. The detailed review of guidance in the draft pronouncements, based on Board decisions for the Revenue and Transfer Expenses projects, be delegated to the Drafting Group.	5. In progress. BC pending.
September 2021	6. The guidance in the draft IPSAS based on ED 71 and ED 72 be reordered to require the entity to consider up front whether the transaction arises without or with a binding arrangement.	6. Incorporated – see preliminary rough drafts in Agenda Items 8.3.1 and 8.3.2 . BC pending.
June 2021	1. Incorporate the definition of a 'binding arrangement' (as decided above for Revenue) into the final Transfer Expenses standard to ensure the standards are conceptually consistent and freestanding.	1. Incorporated – see preliminary rough draft in Agenda Item 8.3.1 . BC pending.
June 2021	2. Clarify in the Revenue and Transfer Expenses standards that enforceability is based on the entity's ability to enforce the binding arrangement and uncertainty of enforcement is a measurement issue.	2. Incorporated – see preliminary rough drafts in Agenda Items 8.3.1 and 8.3.2 . BC pending.
June 2021	3. Confirm that enforceability is the ability to impose consequences on parties that do not fulfill their agreed-upon obligations in the binding arrangement, and the guidance proposed in paragraph 21	3. Incorporated – see preliminary rough draft in Agenda Item 8.3.1 . BC pending

Agenda Item 8.1.3

	should be added as Application Guidance.	
June 2021	4. Confirm that the assessment of enforceability of a binding arrangement occurs at inception and when a significant external change indicates that there may be a change in the enforceability of that binding arrangement.	4. Incorporated – see preliminary rough draft in Agenda Item 8.3.1 . BC pending
June 2021	5. Confirm that legal or equivalent means is consistent with 'legal obligation' as described in the Conceptual Framework Chapter 5 and is not 'non-legally binding obligation'	5. Incorporated – see preliminary rough draft in Agenda Item 8.3.1 . BC pending
June 2021	6. Revise the definition of a liability in the IPSASB's Conceptual Framework by replacing 'outflow of resources' with 'transfer of resources' as the revised wording clarifies (i.e., does not substantially change) the underlying concepts.	6. See Conceptual Framework September Agenda Item 3.2.7. Also incorporated in preliminary rough draft in Agenda Item 8.3.1
April 2021	1. Address principle-related issues raised by constituents first, before considering other issues raised.	1. In progress
April 2021	2. Revise the presentation of guidance in the transfer expense standard to better reflect the public sector.	2. Incorporated – see preliminary rough draft in Agenda Item 8.3.1 . BC pending
April 2021	3. Retain binding arrangement as a fundamental concept for transfer expense accounting. Principles related to binding arrangements should be consistent. Identification and assessment of a binding arrangement is from the perspective of the entity.	3. See June Agenda Items 6.2.2 and 6.3.2. BC pending
April 2021	4. Confirm that, in a binding arrangement, each party will have at least one present obligation.	4. See June Agenda Items 6.2.2 and 6.3.2 BC pending
April 2021	5. Confirm that enforceability can be demonstrated by various mechanisms in transfer expense accounting, and all relevant factors should be considered in that analysis.	5. See June Agenda Items 6.2.2 and 6.3.2 BC pending
April 2021	6. Confirm that enforceability of a binding arrangement may give rise to an asset for the transfer provider when it is partially fulfilled.	6. In progress – Decision will be addressed concurrently with September Agenda Item 4.2.2

Agenda Item 8.1.3

April 2021	7. Be conceptually consistent with the present obligation principles developed for revenue, and consider substance of the arrangement from the different perspectives (transfer provider vs. transfer recipient) in assessing whether to retain the distinction of performance obligations for transfer expense accounting.	7. See September Agenda Item 4.2.4
April 2021	8. Consider the implication of the IPSASB's decision on the treatment of "consideration not directly attributable to the transfer of distinct goods or services" at a later date, based on the decision to either retain or remove the distinction of transfer expenses with and without performance obligations.	8. N/A – distinction removed based on September Agenda Item 4.2.4
April 2021	9. Incorporate executory contract accounting principles without explicitly referring to the term executory contracts. Drafting should refer to specific principles to account for binding arrangements.	9. Incorporated – see preliminary rough draft in Agenda Item 8.3.1 . BC pending
April 2021	10. Confirm, for transfer expenses, that there is no initial recognition when no party has fulfilled its stated obligations under the binding arrangement, unless the binding arrangement is onerous. Accounting for the binding arrangement begins when the binding arrangement is at least partially fulfilled (i.e., at least one party begins to fulfill one or more of its stated obligations).	10. Incorporated – see preliminary rough draft in Agenda Item 8.3.1 . BC pending
April 2021	11. Confirm an entity's right and obligation within a binding arrangement are directly linked and interdependent. When the binding arrangement is wholly unfulfilled, the combined right and obligation constitute a single asset or liability.	11. See June Agenda Items 6.2.2 and 6.3.2. BC pending
December 2020	1. Address concerns over the nature and length of disclosures in all three EDs by taking a principles-based approach focusing on the nature of the transactions and their risks.	1. In progress
December 2019	1. All decisions made up until December 2019 were reflected in	1. All decisions made up until December 2019 were reflected in

Agenda Item 8.1.3

	the Exposure Draft (ED) 72, Transfer Expenses	the Exposure Draft (ED) 72, Transfer Expenses
--	---	---

Transfer Expenses without Binding Arrangements: Clarification of Scope and Relationship with IPSAS 19 as a Consequence of Board Decisions and Instructions

Question

1. Does the IPSASB agree with the staff recommendations?

Recommendations

2. Staff recommend that the IPSASB:
 - (a) Amend the scope of the draft *Transfer Expenses* IPSAS to exclude liabilities that do not arise from binding arrangements; and
 - (b) Not include the guidance on transfer expenses arising from fines previously included in ED 72.

Background

3. In September 2021, the IPSASB decided that:
 - (a) The distinction between transfer expenses with performance obligations and transfer expenses without performance obligations previously proposed in ED 72, *Transfer Expenses*, should be removed, as it is not useful from a transfer provider perspective; and
 - (b) The guidance in the draft IPSAS based on ED 72 should be reordered to require the entity to consider up front whether the transaction arises without or with a binding arrangement.
4. A consequence of these decisions is that a new accounting model for transfer expenses without binding arrangements is required, and the IPSASB instructed staff to develop this model.
5. The IPSASB also agreed additional guidance to clarify the distinction between the *Transfer Expenses* IPSAS and IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*.

Analysis

6. The accounting model for transfer expenses without binding arrangements will necessarily be different to the model for transfer expenses without performance obligations in ED 72. This is because the model in ED 72 also covered transfer expenses with binding arrangements that do not impose performance obligations on the transfer recipient.
7. The IPSASB has yet to formally consider the model to be used for transfer expenses without binding arrangements (see [Agenda Item 8.2.2](#)). However, in its discussions on related matters, members and staff have suggested that transfer expenses without binding arrangements would be recognized when the transfer provider transfers resources to the transfer recipient. This is because, for transfer expenses without binding arrangements, the absence of a binding arrangements means that no liabilities will arise in respect of those expenses. This approach is also consistent with the distinction between the *Transfer Expenses* IPSAS and IPSAS 19 agreed by the IPSASB.
8. An entity may recognize liabilities in circumstances that are similar to transfer expenses:
 - (a) Taxes, which are explicitly excluded from the definition of a transfer expense;
 - (b) Fines (for which guidance was provided in ED 72); and
 - (c) Non-legally binding (constructive) obligations.

Agenda Item 8.2.1

9. Staff consider that such liabilities are best addressed through other IPSAS (usually IPSAS 19 unless another IPSAS includes more specific guidance).
10. This approach has several advantages:
 - (a) It avoids introducing additional complexity into the accounting model for transfer expenses without binding arrangements;
 - (b) It avoids the need to introduce further discussion on enforceability, given that non-legally binding (constructive) obligations cannot be enforced through legal means; and
 - (c) It will further clarify the relationship between the draft *Transfer Expenses* IPSAS and IPSAS 19.
11. Consequently, staff propose updating the scope of the draft *Transfer Expenses* IPSAS to clarify that it does not include liabilities that do not arise from a binding arrangement as defined in the Standard. Application guidance is also proposed.
12. The proposed amendments are shown in [Appendix 1](#).
13. ED 72 included Application Guidance on transfer expenses arising from fines, which may have contributed to respondents' concerns about the relationship with IPSAS 19. If the IPSASB agrees with the proposed amendments, this guidance will not be included in the *Transfer Expenses* IPSAS.

Decision Required

14. Does the IPSASB agree with the staff recommendations?

Appendix 1 – Proposed Guidance

Purpose	Sources	Draft Guidance
Core Text		
Scope (additional text only)		
Scope exclusions	ED 72.5; Board decisions; Proposed guidance	<p>This [draft] Standard does not apply to:</p> <ul style="list-style-type: none"> (a) Operating leases as defined in IPSAS 13, Leases; (b) Service concession arrangements as defined in IPSAS 32, <i>Service Concession Arrangements: Grantor</i>; (c) Employee benefits as defined in IPSAS 39, Employee Benefits; (d) Concessionary loans as defined in IPSAS 41, Financial Instruments; (e) Social benefits as defined in IPSAS 42, Social Benefits; (f) Liabilities that do not arise from a binding arrangement as defined in this Standard (g) Contributions from, and distributions to, owners; (h) Insurance contracts (see the international or national accounting standard dealing with insurance contracts); and (i) Share-based payments (see the international or national accounting standard dealing with share-based payments).

Purpose	Sources	Draft Guidance
Application Guidance		
Scope (additional text only)		
Liabilities for transfer expenses only arise from binding arrangements	Proposed guidance	<p>In accordance with paragraph x, a transfer of resources to settle a liability that does not arise from a binding arrangement is not a transfer expense. Liabilities arising from taxation, fines and non-legally binding (constructive) obligations do not arise from a binding arrangement, and therefore the settlement of those liabilities is not a transfer expense. Such liabilities are accounted for in accordance with IPSAS 19 (or other Standard where that Standard has more specific guidance).</p> <p>An entity may prepay amounts of taxes or fines before the liability is confirmed. Such prepayments give rise to an asset and are not transfer expenses.</p>

Transfer Expenses without Binding Arrangements: Proposed Accounting Model

Question

1. Does the IPSASB agree with the staff recommendation?

Recommendations

2. Staff recommend that the IPSASB include the proposed accounting model for transfer expenses without binding arrangements in the *Transfer Expenses* IPSAS.

Background

3. In September 2021, the IPSASB decided that:
 - (a) The guidance in the draft IPSAS based on ED 72 should be reordered to require the entity to consider up front whether the transaction arises without or with a binding arrangement; and
 - (b) The accounting model adopted in ED 72 for transfer expenses where the transfer recipient has a present obligation should not be retained.
4. In accordance with these decisions, staff have developed a revised accounting model for transfer expenses without binding arrangements.

Analysis

5. The *Conceptual Framework* defines expenses as “Decreases in the net financial position of the entity, other than decreases arising from ownership distributions.”
6. Decreases in net financial position can arise in two ways:
 - (a) The entity loses control of an asset and there is no corresponding increase in other assets (or reduction in liabilities); or
 - (b) The entity recognizes a liability and there is no corresponding reduction in other liabilities (or increase in assets).
7. If the IPSASB agrees that transfer expenses do not include the settlement of liabilities arising outside of a binding arrangement (see [Agenda Item 8.2.1](#)), a decrease in net financial position for transfer expenses without binding arrangements will involve the loss of control of an asset.
8. For transfer expenses without binding arrangements, loss of control of an asset will occur when the transfer provider transfers resources (usually cash) to the transfer recipient. In the absence of a binding arrangement, there will be no corresponding increase in another asset, or reduction in a liability.
9. The transfer provider would recognize an expense when it transfers the resources, and would measure the expense at the carrying amount of the resources transferred. The costs of any services transferred, and any reimbursements of non-recoverable VAT of the transfer recipient are addressed in [Agenda Item 8.2.4](#).
10. Only limited guidance is required for transfer expenses without binding arrangements. Because the expense is recognized when the transfer occurs, there is no need for amounts to be discounted.
11. The proposed amendments are shown in [Appendix 1](#).

Decision Required

12. Does the IPSASB agree with the staff recommendation?

Appendix 1 – Proposed Guidance

Purpose	Sources	Draft Guidance
Core Text		
Transfer Expenses		
Transfer expenses without or with binding arrangements	<i>Proposed guidance</i>	Transfer expenses may arise from transactions without binding arrangements (hereafter referred to as transfer expenses without binding arrangements) or from transactions with binding arrangements (hereafter referred to as transfer expenses with binding arrangements). Transfer expenses without binding arrangements shall be accounted for in accordance with paragraphs x-x of this Standard. Transfer expenses with binding arrangements shall be accounted for in accordance with paragraphs x-x of this Standard.
Transfer Expenses without Binding Arrangements		
Accounting for transfer expenses without binding arrangements	<i>ED 72.90</i>	A transfer provider shall recognize and measure transfer expenses without a binding arrangement in accordance with paragraphs x-x below.
Transfer Expenses without Binding Arrangements: Recognition		
Recognize transfer expenses when resources are transferred	<i>ED 72.91</i>	A transfer provider shall recognize a transfer expense arising outside a binding arrangement when the transfer provider ceases to control the resources; this will usually be the date at which it transfers the resources to the transfer recipient. In such cases, the transfer provider derecognizes the resources it ceases to control in accordance with other Standards.
Application of recognition principles to debt forgiveness	<i>ED 72.95</i>	<i>Debt Forgiveness</i> A transfer provider may waive its right to collect a debt owed by a transfer recipient, effectively canceling the debt. The transfer provider shall recognize an expense at the date that it derecognizes (in accordance with IPSAS 41) the financial asset, or portion of the financial asset, that it has waived its right to collect.
	<i>ED 72.96</i>	Where a transfer provider is a controlling entity and the transfer provider forgives debt owed by a wholly-owned controlled entity, or assumes its liabilities, the transaction may be a contribution from owners, as described in paragraph 6. In accordance with paragraph 6, contributions from owners are outside the scope of this [draft] Standard.

Purpose	Sources	Draft Guidance
Transfer Expenses without Binding Arrangements: Measurement		
Measure transfer expenses without binding arrangements	ED 72.102	A transfer provider shall measure the expense at the carrying amount of the resources transferred at the date at which the transfer provider ceases to control the resources.
	ED 72.AG104	In many cases, the resource transferred will be cash, and the expense will be measured at the amount of the cash transferred. Where the resource transferred is a non-cash asset, the expense will be measured at the carrying amount of the asset transferred. In accordance with paragraph x, the transfer provider does not revalue the assets prior to derecognizing them. For example, if a transfer provider transfers inventory to a transfer recipient, it measures the expense at the carrying amount of the inventory transferred, not the fair value of the inventory.
Application of measurement principle to specific circumstances	ED 72.114	<i>Non-Cash Transfers</i> Where the resources transferred are non-cash assets, a transfer provider does not revalue the assets prior to derecognizing those assets.
	ED 72.115	<i>Debt Forgiveness</i> Where a transfer provider forgives debt of a transfer recipient, the expense is measured at the carrying amount of the debt forgiven, in accordance with IPSAS 41.

Transfer Expenses with Binding Arrangements: Proposed Accounting Model

Question

1. Does the IPSASB agree with the staff recommendation?

Recommendations

2. Staff recommend that the IPSASB include the proposed accounting model for transfer expenses with binding arrangements in the *Transfer Expenses* IPSAS.

Background

3. In April 2021 and September 2021, the IPSASB agreed the principles to be followed in accounting for transfer expenses with binding arrangements:
 - (a) No asset or liability is to be recognized when no party to the binding arrangement has started to fulfill their obligations.
 - (b) Where the transfer provider transfers resources prior to the transfer recipient fulfilling its obligations, the transfer provider derecognizes the resources transferred and recognizes an asset for the right to have the transfer recipient fulfill its obligations. The transfer provider derecognizes the right to have the transfer recipient fulfill its obligations and recognizes an expense as it loses control of the right. This will be as the transfer recipient fulfills its obligations.
 - (c) Where the transfer recipient fulfills its obligations prior to the transfer provider transferring resources, the transfer provider recognizes a liability and an expense. The liability is extinguished as the transfer provider transfers the promised resources.
4. This paper develops an accounting model for transfer expenses with binding arrangements that is consistent with these principles.

Analysis

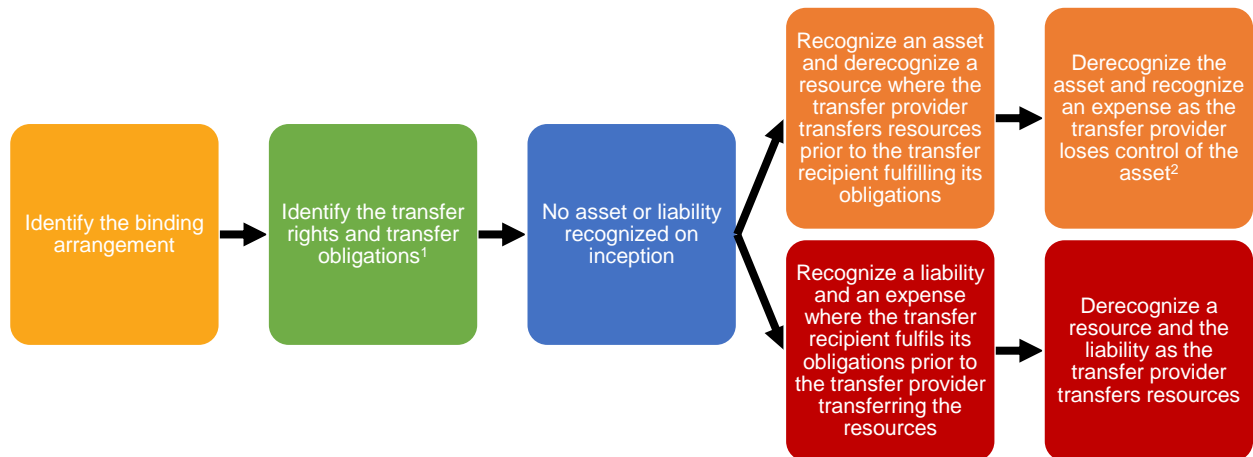
5. ED 72, *Transfer Expenses*, adopted the Public Sector Performance Obligation Approach (PSPOA) for accounting for transfer expenses with performance obligations. This approach used the following five-step model:



6. In this model, the performance obligations to be identified were the obligations imposed on the transfer recipient, and an expense was recognized as the transfer recipient fulfills those obligations.
7. Following comments from respondents, the IPSASB has agreed that the focus should be on the transfer provider's rights and obligations rather than the transfer recipient's obligations. Consequently, the model applied in ED 72 is no longer appropriate.
8. Respondents to the consultation on ED 72 indicated that the detailed requirements in the PSPOA were not appropriate for non-exchange transactions such as transfer expenses. Staff therefore propose to simplify the requirements compared to those in ED 72 to respond to stakeholders' comments, while ensuring the principles applied are consistent with the *Revenue* IPSAS.

Agenda Item 8.2.3

9. [Appendix 1](#) summarizes staff's proposals for the additional guidance to be included in the draft *Transfer Expenses* IPSAS.
10. Staff have developed the following model for accounting for transfer expenses with binding arrangements:



Notes:

- ¹ The transfer provider's obligations are to transfer resources. These obligations are linked to the transfer provider's right to have the transfer recipient fulfill its obligations. Identifying these transfer rights and how they relate to the transfer obligations will determine the unit of account for recognizing and measuring transfer expenses. A transfer right will generally correspond to a transfer recipient's obligation under the binding arrangement, except where there is a single transfer obligation (to transfer resources) for several of the transfer recipient's obligations, and it is not possible to allocate the resources to the individual obligations. In such cases, a transfer right will encompass several transfer recipient's obligations.
- ² The transfer provider loses control of the asset when the transfer recipient fulfills its obligations, and thereby extinguished a transfer right.

11. The proposed amendments are shown in [Appendix 2](#).

Decision Required

12. Does the IPSASB agree with the staff recommendation?

Appendix 1 – Proposed Guidance to be Included in the Transfer Expenses with Binding Arrangements Accounting Model

Topic	Proposals
Combination of Binding Arrangements	ED 72 proposed combining binding arrangements where this reflects the substance of the arrangement. Staff consider this remains appropriate, with wording changes to reflect the wider range of transfer recipient's obligations.
Modifications to a binding arrangement	Staff consider that accounting for modifications to binding arrangements can be simplified compared to ED 72. Where new obligations are imposed on both the transfer provider and transfer recipient, these should be treated as a new arrangement. In other cases, modifications to existing obligations should be treated in the same way as changes to accounting estimates.
Loss of control of asset	<p>The accounting model requires an expense to be recognized when the transfer recipient fulfills their obligations, thereby extinguishing a transfer right which will result in the transfer provider losing control of the asset.</p> <p>Control of the asset may also be lost as a result of other events. Staff propose dealing with these cases by requiring the asset to be assessed for impairment in accordance with IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i>.</p> <p>To assist preparers, guidance on monitoring arrangements and impairment will be required (to be considered at the IPSASB's March 2022 meeting).</p>
Measuring progress towards fulfillment of obligations	Guidance on measuring a transfer recipient's progress towards completely fulfilling an obligation is required. This guidance needs to set out principles and examples that will enable a reliable measure of progress to be made, without being too onerous for preparers, which was a criticism of ED 72. The guidance will also need to reflect the wider range of transactions for which monitoring will be required by the current draft IPSAS compared to ED '72.
Measurement: transaction consideration	<p>The total transaction consideration will be the amount set out in the binding arrangement or, where there is variable consideration (for example, If the transfer provider agrees to meet the costs of a project), the transfer provider's best estimate of the expected transfer of resources.</p> <p>Non-cash consideration will be measured at the carrying amount of the resources transferred.</p> <p>Amounts should be discounted where the binding arrangement includes a significant financing component for either party.</p>

Appendix 2 – Proposed Guidance

Purpose	Sources	Draft Guidance
Core Text		
Definitions (additional text only)		
Definitions of transfer rights and transfer obligations	<i>Proposed guidance</i>	<p>For the purposes of this Standard, a <u>transfer obligation</u> is a transfer provider's obligation in a binding arrangement to transfer resources in a specified manner.</p> <p>For the purposes of this Standard, a <u>transfer right</u> is the transfer provider's right to have the transfer recipient fulfill its obligation in a specified manner in a binding arrangement.</p>
Transfer Expenses with Binding Arrangements		
Introduction	<i>ED 72.10 Proposed guidance</i>	A transfer provider may incur transfer expenses in accordance with a binding arrangement it has entered into with a transfer recipient. The transfer provider shall recognize and measure the related expenses by in accordance with paragraphs x–x below.
	<i>Proposed guidance</i>	<p>To meet the requirements in paragraph x, this [draft] Standard requires a transfer provider to recognize transfer expenses with binding arrangements by applying the following steps:</p> <ul style="list-style-type: none"> (a) Identifying the binding arrangement with a transfer recipient (see paragraphs x–x); (b) Identifying the transfer rights and transfer obligations in the binding arrangement (see paragraph x); (c) Recognizing no asset, liability, or expense at the inception of the binding arrangement and while the arrangement is wholly unperformed (see paragraph x); (d) Recognizing a transfer expense, and extinguishing a transfer right, as a result of the transfer recipient satisfying its obligation in accordance with the binding arrangement (see paragraphs x–x); (e) Recognizing a transfer provider's binding arrangement asset when the transfer provider has transferred resources prior to the transfer recipient fulfilling its obligations, and recognizing a transfer provider's binding arrangement liability when the transfer recipient has fulfilled its obligations prior to the transfer provider transferring resources (see paragraphs x–x); and (f) Measuring the transfer expense, transfer provider's binding arrangement asset and transfer provider's binding arrangement liability (see paragraphs x–x) by: <ul style="list-style-type: none"> (i) Determining the transaction consideration (see paragraphs x–x); and (ii) Allocating the transaction consideration to transfer rights (see paragraphs x–x).

Purpose	Sources	Draft Guidance
Transfer Expenses with Binding Arrangements: Recognition		
Identifying the binding arrangement	ED 72.13 <i>Proposed guidance</i>	<p>A transfer provider shall account for a transfer expense with a binding arrangement only when both of the following criteria are met:</p> <ul style="list-style-type: none"> (a) The parties to the binding arrangement have approved the binding arrangement (in writing, orally or in accordance with other customary practices) and are committed to perform their respective obligations; and (b) The transfer provider can identify each party's rights and obligations <p>Paragraphs x – x and AGx and AGx provide additional guidance on binding arrangements. Where one or both criteria are not met, the transfer provider shall account for the transfer expense in accordance with paragraphs x–x (i.e., as a transfer expense without binding arrangements).</p>
Combination of binding arrangements	ED 72.19 <i>Proposed guidance</i>	<p>A transfer provider shall combine two or more binding arrangements entered into at or near the same time with the same transfer recipient (or related parties of the transfer recipient) and account for the binding arrangements as a single binding arrangement if one or more of the following criteria are met:</p> <ul style="list-style-type: none"> (a) The binding arrangements are negotiated as a package with a single economic objective; (b) The amount of consideration to be paid in one binding arrangement depends on the price or performance of the other binding arrangement; or (c) The transfer recipient's obligations under the binding arrangements (or some of the transfer recipient's obligations under each of the binding arrangements) are a single transfer right in accordance with paragraphs x–x.
Modifications to a binding arrangement	ED 72.20 <i>Proposed guidance</i>	A modification to a binding arrangement is a change in the rights and obligations of a binding arrangement that is approved by the parties to the binding arrangement. A modification to a binding arrangement exists when the parties to a binding arrangement approve a modification that either creates new or changes existing enforceable rights and obligations of the parties to the binding arrangement. A transfer provider shall continue to apply this [draft] Standard to the existing binding arrangement until the modification to a binding arrangement is approved.
	ED 72.22 <i>Proposed guidance</i>	<p>A transfer provider shall account for a modification to a binding arrangement as a separate binding arrangement if both of the following conditions are present:</p> <ul style="list-style-type: none"> (a) The scope of the binding arrangement increases because the transfer recipient accepts one or more additional obligations, or an increase in one or more existing obligations; and (b) The transaction price increase by an amount that is intended to compensate the transfer recipient for the additional or increased obligations assumed.
	ED 72.23 <i>Proposed guidance</i>	If a modification to a binding arrangement is not accounted for as a separate binding arrangement in accordance with paragraph x, a transfer provider shall account for the modification to a binding arrangement as if it were a part of the existing binding arrangement. The transfer provider shall determine the accumulated transfer expense to be recognized as at the date

Agenda Item 8.2.3

Purpose	Sources	Draft Guidance
		of the modification by revising its estimates of the transaction consideration, the amount of the transaction consideration allocated to each transfer right or transfer obligation; and the measure of progress towards completion of each transfer right or obligation. The difference between the accumulated transfer expense determined as at the date of the modification and the accumulated transfer expense previously recognized shall be recognized in surplus or deficit as at the date of the modification.
Identifying transfer rights	<i>Proposed guidance</i>	<p>At the inception of the binding arrangement, a transfer provider shall assess each party's rights and obligations in a binding arrangement and shall identify the transfer rights and transfer obligations as follows:</p> <ul style="list-style-type: none"> (a) When each of the transfer recipient's obligations has a corresponding transfer obligation that is intended to compensate the transfer recipient for fulfilling that obligation, the transfer provider has a separate transfer right for each of the transfer recipient's obligations in the binding arrangement. (b) When there is a single transfer obligation corresponding to several of the transfer recipient's obligations, the transfer provider assesses whether the transfer obligation can be disaggregated into the amounts that are intended to compensate the transfer recipient for fulfilling each of its obligations. <ul style="list-style-type: none"> (i) When the transfer obligation is capable of being disaggregated, the transfer provider has a separate transfer right for each of the transfer recipient's obligations in the binding arrangement. (ii) When the transfer obligation is not capable of being disaggregated, the transfer provider has a single transfer right in comprising all of the transfer recipient's obligations. (c) When there are several transfer obligations corresponding to a single transfer recipient's obligation, the transfer provider has a transfer right for that transfer obligation. <p>Paragraphs AGx–AGx provide additional guidance on identifying transfer rights.</p>
Recognition at Inception of Binding Arrangement	<i>Proposed guidance</i>	<p>When a binding arrangement is wholly unperformed, a transfer provider shall not recognize any asset, liability or expense associated with the binding arrangement. A binding arrangement is wholly unperformed if both of the following conditions are met:</p> <ul style="list-style-type: none"> (a) The transfer provider has not yet paid, and is not yet obligated to pay, consideration to the transfer recipient in exchange for the transfer recipient fulfilling any of its stated obligations in the binding arrangement; and (b) The transfer recipient has not yet fulfilled any of its stated obligations in the binding arrangement. <p>Paragraphs AGxxError! Reference source not found.–AGxx provide additional guidance.</p>
Extinguishment of Transfer Rights and	<i>ED 72.33; Proposed guidance</i>	<p>A transfer provider shall recognize an expense when (or as) a transfer right is extinguished as a result of the transfer recipient satisfying its obligation in accordance with the binding arrangement.</p> <p>Paragraphs AGxx–AGxx provide additional guidance on the extinguishment of transfer rights.</p>

Agenda Item 8.2.3

Purpose	Sources	Draft Guidance
Recognition of Expense	ED 72.34; <i>Proposed guidance</i>	For each transfer right identified in accordance with paragraph x, a transfer provider shall determine at the inception of the binding arrangement whether the transfer right is extinguished over time (in accordance with paragraphs x–x) or extinguished at a point in time (in accordance with paragraph x). If the transfer right is not extinguished over time, the transfer right is extinguished at a point in time.
Transfer Rights Extinguished Over Time	ED 72.36; <i>Proposed guidance</i>	<p>A transfer right is extinguished, and an expense recognized, over time when the transfer recipient fulfills its obligation over time. A transfer recipient fulfills its obligation over time if one of the following criteria is met:</p> <ul style="list-style-type: none"> (a) A third-party beneficiary simultaneously receives and consumes the economic benefits or service potential embodied in the transfer right as the transfer recipient fulfills its obligation (see paragraphs AGxx–AGxx); (b) The transfer recipient's fulfillment of its obligation creates or enhances an asset (including work in progress) and, where that asset is transferred to a third-party beneficiary, the third-party beneficiary controls the asset as it is created or enhanced; or (c) The transfer recipient has an enforceable right to payment for the fulfillment of the obligation completed to date (see paragraph x).
	ED 72.38; <i>Proposed guidance</i>	A transfer provider shall consider the terms of the binding arrangement, as well as any laws that apply to the binding arrangement, when evaluating whether the transfer recipient has an enforceable right to payment for the fulfillment of the obligation completed to date in accordance with paragraph x. The transfer recipient's right to payment for the fulfillment of the obligation completed to date does not need to be for a fixed amount. However, at all times throughout the duration of the binding arrangement, the transfer recipient must be entitled to payment for fulfillment of the obligation completed to date if the binding arrangement is terminated by the transfer provider or another party for reasons other than the transfer recipient's failure to fulfill the obligation as promised. Paragraphs AGxx–AGxx provide guidance for assessing the existence and enforceability of a transfer recipient's right to payment and whether a transfer recipient's right to payment would entitle it to be paid for its fulfillment of the obligation completed to date.
Transfer Rights Extinguished at a Point in Time	<i>Proposed guidance</i>	<p>A transfer right is extinguished, and an expense recognized, at a point in time when the transfer recipient fulfills its obligation. If a transfer right is not extinguished over time in accordance with paragraphs x–x, a transfer right is extinguished at a point in time. The transfer provider shall determine the point in time at which a transfer right is extinguished by assessing the nature of the transfer provider's obligation, examples of which include, but are not limited to, the following:</p> <ul style="list-style-type: none"> (a) The transfer of goods or an asset to a third-party beneficiary; the transfer right is extinguished at the point the transfer recipient loses control, and the third-party beneficiary gains control, of the goods or asset. (b) The transfer recipient incurs eligible expenditure (where this occurs at a point in time); the transfer right is extinguished at the point the transfer recipient incurs the eligible expenditure. (c) The transfer recipient undertakes a specified activity (where this occurs at a point in time); the transfer right is extinguished at the point the transfer recipient undertakes the specified activity.

Purpose	Sources	Draft Guidance
		(d) The transfer recipient purchases an asset as a result of a capital transfer; the transfer right is extinguished at the point the transfer recipient takes control of the asset.
Measuring Progress Towards Complete Extinguishment of a Transfer Right	ED 72.40; <i>Proposed guidance</i>	For each transfer right extinguished over time as a transfer recipient fulfills its obligation, in accordance with paragraphs x–x, a transfer provider shall recognize an expense over time by measuring the transfer recipient's progress towards complete fulfillment of that obligation and extinguishment of the transfer right. The objective when measuring progress is to depict the extent to which the transfer provider still controls a transfer right, and the extent to which that economic benefits or service potential have been consumed through the fulfillment of the transfer recipient's obligations.
	ED 72.41; <i>Proposed guidance</i>	A transfer provider shall apply a single method of measuring the extinguishment of a transfer right extinguished over time. The transfer provider shall apply that method consistently to similar transfer rights and in similar circumstances. At the end of each reporting period, a transfer provider shall remeasure a transfer right extinguished over time.
Methods for Measuring Progress	<i>Proposed guidance</i>	<p>Appropriate methods for a transfer provider to measure the transfer recipient's progress in fulfilling its obligations and extinguishing the transfer right will vary with the nature of the transfer recipient's obligation and the terms of the binding arrangement. Examples of methods to measure progress that may be appropriate, depending on the nature of the transfer recipient's obligation and the terms of the binding arrangement, include:</p> <ul style="list-style-type: none"> (a) Where goods are transferred to third-party beneficiaries, progress may be measured using records of the goods transferred; these records may be provided by the transfer recipient. (b) Where services are provided to third-party beneficiaries, progress may be measured using records of the services provided; these records may be provided by the transfer recipient or another party (for example, where a transfer recipient receives funding to provide services to a school, a record of the services received may be provided by the school). (c) Where a transfer recipient provides services to third-party beneficiaries evenly over a period of time, progress may be measured on a straight-line basis. (d) Where a transfer recipient incurs eligible expenditure, progress may be measured using documentation (receipts, invoices, etc.) provided by the transfer recipient. (e) Where a transfer recipient undertakes specified activities, progress may be measured using reports or documentation provided by the transfer recipient. Appropriate documentation will depend on the activities undertaken and the terms of the binding arrangement, but may include timesheets or other records of the activities undertaken. (f) Where a transfer recipient constructs an asset, progress may be measured by surveying the work undertaken or by using the stage of completion method, using information provided by the transfer recipient. <p>Where the transfer provider's measure of progress relies on information provided by the transfer recipient, additional checks or inspections may be required to ensure the reliability of the information. Paragraph AGxx provides guidance on selecting an appropriate method for measuring progress.</p>

Purpose	Sources	Draft Guidance
	<i>ED 72.46; Proposed guidance</i>	As circumstances change over time, a transfer provider shall update its measure of a transfer recipient's progress in fulfilling its obligations to reflect any changes (for example, where the work expected to be required to complete the construction of an asset changes). Such changes to a transfer provider's measure of progress shall be accounted for as a change in accounting estimate in accordance with IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> .
Reasonable Measures of Progress	<i>Proposed guidance</i>	<p>A transfer provider shall recognize an expense for a transfer right extinguished over time only if the transfer provider can reasonably measure the transfer recipient's progress towards complete fulfillment of its obligation. If the transfer provider cannot reasonably measure the transfer recipient's progress towards complete fulfillment of its obligation, the transfer provider shall:</p> <ul style="list-style-type: none"> (a) Where the transfer provider has transferred resources to the transfer recipient, and recognized a transfer provider's binding arrangement asset, apply IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i>, to determine if that asset is impaired; and if so, apply IPSAS 21 to account for the impairment. (b) Where the transfer provider has not transferred resources to the transfer recipient, or where the transfer provider has determined in accordance with paragraph (a) above that the transfer provider's binding arrangement has not been impaired, recognize an expense for a transfer right extinguished at a point in time.
Recognition of Transfer Provider's Binding Arrangement Asset or Transfer Provider's Binding Arrangement Liability	<i>Proposed guidance</i>	In accordance with paragraph x , no asset, liability, or expense is recognized when a binding arrangement is wholly unperformed. The recognition of assets, liabilities and expenses commences when one party to the binding arrangement starts to fulfill their obligations under the arrangement.
	<i>Proposed guidance</i>	<p>Where the transfer provider transfers resources to the transfer recipient prior to the transfer recipient starting to fulfill its obligation, the transfer provider shall:</p> <ul style="list-style-type: none"> (a) Derecognize the resources transferred to the transfer recipient, and recognize a transfer provider's binding arrangement asset; and (b) When (or as) the transfer recipient fulfills its obligation and extinguishes a transfer right, derecognize the transfer provider's binding arrangement asset, and recognize an expense.
	<i>Proposed guidance</i>	<p>When the transfer recipient starts to fulfill its obligation prior to the transfer provider transferring resources to the transfer recipient, the transfer provider shall:</p> <ul style="list-style-type: none"> (a) Recognize a transfer provider's binding arrangement liability and an expense when (or as) the transfer recipient fulfills its obligations and extinguishes a transfer right; and (b) As the transfer provider transfers resources to the transfer recipient, derecognize the transfer provider's binding arrangement liability and derecognize the resources transferred.

Purpose	Sources	Draft Guidance
Transfer Expenses with Binding Arrangements: Measurement		
Measurement principles	<i>ED 72.47; Proposed guidance</i>	When (or as) a transfer recipient fulfills an obligation and thereby extinguishes a transfer right, a transfer provider shall recognize as an expense the amount of the transaction consideration that is allocated to that transfer right.
	<i>Proposed guidance</i>	When a transfer provider transfers resources to a transfer recipient prior to the transfer recipient starting to fulfill its obligation, the transfer provider shall, at recognition, measure the resulting transfer provider's binding arrangement asset at the carrying amount of the resources transferred.
	<i>Proposed guidance</i>	After recognition, the transfer provider's binding arrangement asset shall be increased by the carrying amount of additional transfers of resources, and decreased by the amount of expenses recognized, until the carrying amount of the transfer provider's binding arrangement asset is zero. Any further expenses recognized at that point are recognized as a transfer provider's binding arrangement liability.
	<i>Proposed guidance</i>	When a transfer recipient begins to fulfill its obligations prior to the transfer provider transferring resources to the transfer recipient, the transfer provider shall, at recognition, measure the resulting transfer provider's binding arrangement liability at the amount of the expense recognized.
	<i>Proposed guidance</i>	After recognition, the transfer provider's binding arrangement liability shall be increased by the amount of additional expenses recognized, and decreased by the carrying amount of resources transferred to the transfer recipient, until the carrying amount of the transfer provider's binding arrangement liability is zero. Any further transfer of resources to the transfer recipient at that point shall be recognized as a transfer provider's binding arrangement asset.
Determining the Transaction Consideration	<i>ED 72.48; Proposed guidance</i>	A transfer provider shall consider the terms of the binding arrangement to determine the transaction consideration. The transaction consideration is the sum of the transfer obligations within the binding arrangement (the value of the resources that the transfer provider expects to transfer to the transfer recipient, in exchange for transfer recipient fulfilling its obligations). The transaction consideration may include fixed amounts, variable amounts, or both.
	<i>ED 72.49; Proposed guidance</i>	The nature, timing and amount of consideration promised by a transfer provider affect the estimate of the transaction consideration. When determining the transaction consideration, a transfer provider shall consider the effects of all of the following: (a) Variable consideration (see paragraphs x-x); (b) The existence of a significant financing component in the binding arrangement (see paragraphs x-x); and (c) Non-cash consideration (see paragraphs x-x).
	<i>ED 72.50; Proposed guidance</i>	For the purpose of determining the transaction consideration, a transfer provider shall assume that the transfer recipient will fulfill its obligations in accordance with the existing binding arrangement and that the binding arrangement will not be cancelled, renewed or modified.

Agenda Item 8.2.3

Purpose	Sources	Draft Guidance
Variable Consideration	<i>ED 72.105; Proposed guidance</i>	A transfer expense may include variable costs where, for example, the transfer provider has agreed to meet the costs, or a portion of the costs, incurred by the transfer recipient in carrying out a specified activity. Such arrangements may also specify a maximum amount for the transfer expense. A transfer provider's best estimate of the amount it will transfer to the transfer recipient reflects the transfer provider's assessment of the costs that the transfer recipient is likely to incur.
	<i>ED 72.106; Proposed guidance</i>	A transfer provider shall estimate an amount of variable costs by using either of the following methods, depending on which method the transfer provider expects to better predict the amount of variable costs it will incur: <ul style="list-style-type: none"> (a) The expected value—the expected value is the sum of probability-weighted amounts in a range of possible cost amounts. An expected value may be an appropriate estimate of the amount of variable costs if a transfer provider has a large number of binding arrangements with similar characteristics. (b) The most likely amount—the most likely amount is the single most likely amount in a range of possible cost amounts (i.e., the single most likely amount of variable costs in the binding arrangement). The most likely amount may be an appropriate estimate of the amount of variable costs if the binding arrangement has only two possible outcomes (for example, a transfer recipient either purchases a new asset or refurbishes an existing asset).
	<i>ED 72.107; Proposed guidance</i>	For the purpose of determining the best estimate of the resources that will be transferred to the transfer recipient, a transfer provider shall assume that the transfer recipient will fulfill its obligations as promised in accordance with the existing binding arrangement and that the binding arrangement will not be cancelled or modified.
Reassessment of Variable Consideration	<i>ED 72.59; Proposed guidance</i>	At the end of each reporting period, a transfer provider shall update the estimated transaction consideration to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period. The transfer provider shall account for changes in the transaction consideration in accordance with paragraphs x–x.
The Existence of a Significant Financing Component in the Binding Arrangement	<i>ED 72.60; Proposed guidance</i>	In determining the transaction consideration, a transfer provider shall adjust the agreed amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the binding arrangement (either explicitly or implicitly) provides the transfer provider or the transfer recipient with a significant benefit of financing the fulfillment of the transfer recipient's obligations. In those circumstances, the binding arrangement contains a significant financing component. A significant financing component may exist regardless of whether the agreement to provide financing is explicitly stated in the binding arrangement or implied by the payment terms agreed to by the parties to the binding arrangement.
	<i>ED 72.110; Proposed guidance</i>	A transfer provider shall consider all relevant facts and circumstances in assessing whether a binding arrangement contains a financing component and whether that financing component is significant to the binding arrangement, including both of the following: <ul style="list-style-type: none"> (a) The expected length of time between when the transfer recipient fulfills its obligations and when the transfer provider transfers resources to the transfer recipient; and (b) The prevailing interest rates in the relevant market.

Agenda Item 8.2.3

Purpose	Sources	Draft Guidance
	<i>ED 72.63; Proposed guidance</i>	As a practical expedient, a transfer provider need not adjust the promised amount of consideration for the effects of a significant financing component if the transfer provider expects, at the inception of the binding arrangement, that the period between when the transfer recipient transfers a promised good or service to a third-party beneficiary and when the transfer provider pays for that good or service will be one year or less.
	<i>ED 72.64; Proposed guidance</i>	When adjusting the promised amount of consideration for a significant financing component, a transfer provider shall use the discount rate that would be reflected in a separate financing transaction between the transfer provider and the transfer recipient at the inception of the binding arrangement. That rate would reflect the credit characteristics of the party receiving financing in the binding arrangement, as well as any collateral or security provided by the transfer provider or the transfer recipient, including assets transferred in the binding arrangement. A transfer provider may be able to determine that rate by identifying the rate that discounts the nominal amount of the promised consideration to the price that the transfer provider would pay for the fulfillment of the transfer recipient's obligations when (or as) they are fulfilled. After the inception of the binding arrangement, a transfer provider shall not update the discount rate for changes in interest rates or other circumstances.
	<i>ED 72.65; Proposed guidance</i>	A transfer provider shall present the effects of financing (interest expense or interest revenue) separately from transfer expenses with performance obligations in the statement of financial performance. Interest expense or interest revenue is recognized only to the extent that a transfer provider's binding arrangement liability (or payable) or a transfer provider's binding arrangement asset is recognized in accounting for a transfer expense with performance obligations.
Non-Cash Consideration	<i>ED 72.66; Proposed guidance</i>	To determine the transaction consideration for binding arrangements in which the transfer provider transfers resources other than cash, the transfer provider shall measure the non-cash consideration (or promise of non-cash consideration) at the carrying amounts of the resources transferred or to be transferred.
	<i>ED 72.67; Proposed guidance</i>	If the carrying amount of the resource is not known, for example because the transfer provider has agreed to provide services, and the costs of those services will not be known until the services have been provided, the transfer provider shall apply paragraphs x–x in measuring the non-cash consideration.
	<i>ED 72.68; Proposed guidance</i>	If the transfer provider contributes goods or services (for example, materials, equipment or labor) to facilitate a transfer recipient's fulfillment of the binding arrangement, the transfer provider shall assess whether it loses control of those contributed goods or services. If so, the transfer provider shall account for the contributed goods or services as a non-cash resource transferred to the transfer recipient.
Allocating the Transaction Consideration to Transfer Rights	<i>Proposed guidance</i>	The transaction consideration shall be disaggregated to its component transfer obligations. Each transfer obligation shall then be allocated to the transfer rights in accordance with paragraph x.

Agenda Item 8.2.3

Purpose	Sources	Draft Guidance
Allocation of variable consideration	<i>Proposed guidance</i>	<p>Variable consideration that is agreed in a binding arrangement may be attributable to the entire binding arrangement or to specific transfer obligations. A transfer provider shall allocate variable consideration as follows:</p> <ul style="list-style-type: none"> (a) When the variable consideration can be identified with specific transfer obligations, the variable consideration shall be allocated to those transfer obligations and then to the transfer rights in accordance with paragraph x; or (b) When the variable consideration cannot be identified with specific obligations, the transfer provider shall allocate the variable consideration to those transfer obligations and transfer rights to reflect the amounts that are intended to compensate the transfer recipient for fulfilling each of its obligations.
Changes in the Transaction Consideration		<p>After the inception of the binding arrangement, the transaction consideration can change for various reasons, including the resolution of uncertain events or other changes in circumstances that change the amount of consideration which a transfer provider expects to pay in exchange for the transfer recipient fulfilling its obligations and extinguishing transfer rights.</p>
		<p>A transfer provider shall allocate to the transfer obligations and transfer rights in the binding arrangement any subsequent changes in the transaction consideration on the same basis as at the inception of the binding arrangement. Amounts allocated to an extinguished transfer right shall be recognized as an expense, or as a reduction of an expense, in the period in which the transaction consideration changes.</p>
		<p>A transfer provider shall account for a change in the transaction consideration that arises as a result of a modification to a binding arrangement in accordance with paragraphs x–x.</p>

Purpose	Sources	Draft Guidance
Application Guidance		
Definitions (additional text only)		
Definitions of transfer rights and transfer obligations	<i>Proposed guidance</i>	Binding arrangements confer rights and obligations on the parties to the arrangement. This Standard refers to the transfer provider's obligations as transfer obligations. The transfer provider also has rights to have the transfer recipient fulfill its obligations. This standard refers to these rights as transfer rights.
Transfer Expenses with Binding Arrangements: Recognition		
Identifying binding arrangements	<i>ED72.AG27 Proposed guidance</i>	In accordance with paragraph x , a transfer provider monitors the existence of its transfer rights throughout the duration of the binding arrangement. In the absence of such monitoring, the transfer provider may not have sufficient evidence to demonstrate that either: <ul style="list-style-type: none"> (a) The transfer provider's binding arrangement asset continues to meet the recognition criteria; or (b) The transfer provider does not have a present obligation that gives rise to a transfer provider's binding arrangement liability.
Identifying transfer rights	<i>Proposed guidance</i>	Transfer rights and transfer obligations provide the basis of recognition and measurement for transfer expenses. This [draft] Standard requires transfer expenses with binding arrangements to be recognized as or when a transfer right is extinguished, and therefore requires the transfer provider to allocate the transfer consideration to transfer rights.
	<i>Proposed guidance</i>	The transaction consideration that the transfer provider is required to transfer to the transfer recipient arises from one or more transfer obligations in the binding arrangement. Consequently, the relationship between transfer obligations and the transfer recipient's obligations (which result in transfer rights) influences the recognition and measurement of transfer expenses.
	<i>Proposed guidance</i>	In some binding arrangements, each of the transfer recipient's obligations has a corresponding transfer obligation that is intended to compensate the transfer recipient for fulfilling that obligation. The transfer provider has a separate transfer right for each of the transfer recipient's obligations in the binding arrangement, and no further allocation of the transaction consideration to transfer rights is required. Transfer expenses are recognized as each right is extinguished by the transfer recipient fulfilling its obligations.
	<i>Proposed guidance</i>	In other cases, the relationship between transfer rights and transfer obligations is more complex. A single transfer obligation may correspond to several of the transfer recipient's obligations. Each of the transfer recipient's obligations will be a separate transfer right only where the single transfer obligation is capable of being disaggregated and allocated to each of the transfer recipient's obligations. The disaggregation shall be performed using an appropriate basis, for example the relative costs the transfer recipient could be expected to incur in fulfilling the obligations. When the transfer obligation is not capable of being disaggregated, the transfer recipient's obligations do not provide a basis for recognizing and measuring transfer expenses, as they are not capable of being measured reliably. Instead, the transfer recipient's obligations are aggregated to single transfer

Agenda Item 8.2.3

Purpose	Sources	Draft Guidance
		right corresponding to the transfer obligation. This transfer right is capable of being measured reliably, and therefore provides a basis for recognizing and measuring transfer expenses.
	<i>Proposed guidance</i>	Conversely, a single transfer recipient's obligation may have more than one corresponding transfer obligations, for example where stage payments are required. The transfer provider has a transfer right for the transfer recipient's obligation, and no further allocation of the transaction consideration to transfer rights is required. The existence of more than one transfer obligations for a single transfer right may indicate that the transfer right will be extinguished over time.
Capital Transfers	<i>Proposed guidance</i>	A binding arrangement for a capital transfer may require the transfer recipient to return resources to the transfer provider if the asset is not used as specified for an agreed period. Such arrangements may include a single transfer right for the construction or purchase of the asset, or may include transfer rights for the construction or purchase of the asset and for its operation. The transfer provider determines whether the binding arrangement includes one or more transfer rights relating to the operation of the asset by assessing whether the transfer consideration is intended to compensate the transfer recipient for the operation of the asset as well as its construction or purchase. Where the transfer consideration is only intended to compensate the transfer recipient for the construction or purchase of the asset, the transfer provider does not have a transfer right in respect of the operation of the asset. Any right to a return of resources as a result of the transfer recipient's failure to use the asset as specified would arise as a consequence of a future event, and does not give rise to an asset unless such a failure has occurred.
Recognition at Inception of Binding Arrangement	<i>Proposed guidance</i>	In accordance with paragraph x, when a binding arrangement is wholly unperformed, a transfer provider shall not recognize any asset, liability, or expense associated with the binding arrangement. The transfer rights and transfer obligations under a wholly unperformed binding arrangement are interdependent and cannot be separated. The combined transfer rights and transfer obligations constitute a single asset or liability that is measured at zero.
	<i>Proposed guidance</i>	Individual transfer rights and transfer obligations are recognized as items (assets, liabilities and expenses depending on their nature) only as one or more parties to the binding arrangement fulfills their stated obligations. A transfer provider shall account for these items in accordance with paragraphs x–x.
	<i>Proposed guidance</i>	Where parts of the binding arrangement remain equally unperformed, the transfer provider shall not recognize any asset, liability, or expense for the equally unperformed parts of the binding arrangement. Such equally unperformed parts of the binding arrangement continue to constitute a single asset or liability that is measured at zero.
	<i>Proposed guidance</i>	A binding arrangement may have a duration of more than twelve months, with separate transfer rights and transfer obligations for each reporting period. The transfer rights and transfer obligations relating to each reporting period are distinct parts of the binding arrangement. Where the transfer rights and transfer obligations for future reporting periods remain equally unperformed, no asset, liability, or expense is recognized until such time as one party to the binding arrangement starts to fulfill their obligations.

Agenda Item 8.2.3

Purpose	Sources	Draft Guidance
Extinguishment of Transfer Rights and Recognition of Expense: Transfer Rights Extinguished Over Time	ED 72.AG39; <i>Proposed guidance</i>	In accordance with paragraph x, a transfer right is extinguished over time if one of the following criteria is met: <ul style="list-style-type: none"> (a) A third-party beneficiary simultaneously receives and consumes the economic benefits or service potential embodied in the transfer right as the transfer recipient fulfills its obligation (see paragraphs AGxx–AGxx); (b) The transfer recipient's fulfillment of its obligation creates or enhances an asset (including work in progress) and, where that asset is transferred to a third-party beneficiary, the third-party beneficiary controls the asset as it is created or enhanced; or (c) The transfer recipient has an enforceable right to payment for the fulfillment of the obligation completed to date (see paragraphs AGxx–AGxx).
Simultaneous Receipt and Consumption of the Economic Benefits or Service Potential Embodied in the Transfer Right by a Third-Party Beneficiary	ED 72.AG40; <i>Proposed guidance</i>	For some transfer expenses that result in goods or services being transferred to third-party beneficiaries, the assessment of whether a third-party beneficiary receives and simultaneously consumes the economic benefit or service potential embodied in a transfer right will be straightforward. Examples include routine or recurring services (such as a cleaning service) in which the receipt and simultaneous consumption by the third-party beneficiary of the economic benefits or service potential embodied in the transfer right can be readily identified.
	ED 72.AG41; <i>Proposed guidance</i>	For other transfer expenses that result in goods or services being transferred to third-party beneficiaries, a transfer provider may not be able to readily identify whether a third-party beneficiary simultaneously receives and consumes the economic benefits or service potential embedded in the transfer right as the transfer recipient fulfills its obligation. In those circumstances, a transfer right is extinguished over time if a transfer provider determines that another entity (i.e., another supplier) would not need to substantially re-perform the work that the transfer recipient has completed to date if that other entity were to fulfill the remaining obligation to the transfer provider.
Transfer Recipient's Right to Payment for Fulfillment of Obligations Completed to Date	ED 72.AG46; <i>Proposed guidance</i>	A transfer recipient's right to payment for fulfillment of its obligation to date need not be a present unconditional right to payment. In many cases, a transfer recipient will have an unconditional right to payment only at an agreed-upon milestone or upon complete fulfillment of the obligation. In assessing whether a transfer recipient has a right to payment for fulfillment of the obligation completed to date, a transfer provider shall consider whether the transfer recipient would have an enforceable right to demand or retain payment for fulfillment of its obligation completed to date if the binding arrangement were to be terminated before completion for reasons other than the transfer recipient's failure to fulfill its obligations as promised.
	ED 72.AG47; <i>Proposed guidance</i>	In some binding arrangements, a transfer provider may have a right to terminate the binding arrangement only at specified times during the life of the binding arrangement or the transfer provider might not have any right to terminate the binding arrangement. If a transfer provider acts to terminate a binding arrangement without having the right to terminate the binding arrangement at that time (including when the transfer recipient fails to fulfill its obligations as promised), the binding arrangement (or other laws) might entitle the transfer recipient to continue to fulfill its obligations and require the transfer provider to pay the consideration promised in exchange for those obligations being fulfilled. In those circumstances, a transfer recipient has a right to payment for fulfillment of its obligations completed to date because the transfer recipient has a right to

Purpose	Sources	Draft Guidance
		continue to fulfill its obligations in accordance with the binding arrangement and to require the transfer provider to fulfill its transfer obligations (paying the promised consideration).
	<i>ED 72.AG48; Proposed guidance</i>	In assessing the existence and enforceability of a right to payment for performance completed to date, a transfer provider shall consider the terms of the binding arrangement as well as any legislation or legal precedent that could supplement or override those terms of the binding arrangement.
	<i>ED 72.AG49; Proposed guidance</i>	The payment schedule specified in a binding arrangement does not necessarily indicate whether a transfer recipient has an enforceable right to payment for fulfillment of its obligations completed to date. Although the payment schedule in a binding arrangement specifies the timing and amount of consideration that is payable by a transfer provider, the payment schedule might not necessarily provide evidence of the transfer recipient's right to payment for fulfillment of its obligations completed to date. This is because, for example, the binding arrangement could specify that the consideration transferred by the transfer provider is refundable for reasons other than the transfer recipient failing to fulfill its obligations as promised in the binding arrangement.
Measuring Progress Towards Complete Extinguishment of a Transfer Right	<i>ED 72.AG51; Proposed guidance</i>	Methods for measuring progress towards complete extinguishment of a transfer right recognize expenses on the basis of direct measurements of the value of the transfer recipient's obligation fulfilled to date relative to the remaining value of that obligation. Methods may include surveys of performance completed to date, appraisals of results achieved, milestones reached, time elapsed and units produced or delivered. When a transfer provider evaluates whether to apply a particular method to measure a transfer recipient's progress, the transfer provider shall consider whether the method selected would faithfully depict the transfer recipient's performance towards complete fulfillment of its obligation. A method would not provide a faithful depiction of the transfer recipient's performance if the method selected would fail to measure some aspects of the transfer recipient's obligation. For example, methods based on elapsed time would not faithfully depict a transfer recipient's performance in fulfilling its obligation if goods, services, eligible expenditure or specified activities are not delivered evenly over time. In evaluating whether to apply a particular method to measure a transfer recipient's progress, a transfer provider has regard to materiality.
	<i>Proposed guidance</i>	[Additional guidance on monitoring and impairment – to be discussed March 2022]
Transfer Expenses with Binding Arrangements: Measurement		
Transfer Provider's Binding Arrangement Assets and Transfer	<i>Proposed guidance</i>	In accordance with paragraph x, a transfer provider shall measure an expense at the amount of the transaction consideration that is allocated to that transfer right. The difference between the amount of the transaction consideration that is allocated to that transfer right and the carrying amount of any resources transferred at the point an expense is recognized will give rise to either a transfer provider's binding arrangement asset (where the amount of resources exceeds the amount of the expense) or a transfer provider's binding arrangement liability (where the amount of the expense exceeds the amount of resources transferred).

Agenda Item 8.2.3

Purpose	Sources	Draft Guidance
Provider's Binding Arrangement Liabilities	<i>Proposed guidance</i>	As the transfer provider and transfer recipient fulfill their obligations over time, the difference between the amount recognized as an expense and the amount of resources transferred can vary, with the result that at some points, a transfer provider will recognize a transfer provider's binding arrangement asset and at others a transfer provider's binding arrangement liability.

Proposed Drafting in Response to IPSASB Instructions (Transfer Expenses)

Question

1. Does the IPSASB agree with the staff recommendations?

Recommendations

2. Consistent with the IPSASB's previous instructions, staff recommend that the IPSASB confirm guidance in the *Transfer Expenses* IPSAS on the following:
 - (a) A requirement that the transfer provider's asset should be assessed for impairment after recognition in accordance with IPSAS 21, *Impairment of Non-Cash-Generating Assets*.
 - (b) The cost of goods or services provided by the transfer provider, and on the reimbursement of a transfer recipient's non-recoverable VAT in the draft *Transfer Expenses* IPSAS.

Background

3. At its September 2021 meeting, the IPSASB instructed staff to propose revised or additional guidance on the subsequent measurement of the transfer provider's asset, including guidance on when the asset should be impaired.
4. At the same meeting, the IPSASB considered respondents' requests for additional guidance on the cost of transfer expenses, in particular the treatment of overheads. The IPSASB instructed staff to draft additional guidance on the measurement of transfer expenses to cover items to be included in their cost such as the transfer recipient's irrecoverable VAT.
5. This paper responds to the IPSASB's instructions by developing the proposed approach to the subsequent measurement of the transfer provider's asset and by developing guidance on the cost of transfer expenses.

Analysis: Subsequent Measurement of the Transfer Provider's Asset

6. ED 72 did not include any provisions for onerous contracts, and included a presumption that the entire transfer consideration could be allocated to performance obligations. As such, ED 72 did not anticipate the question of onerous contracts arising.
7. Some respondents considered there was a potential conflict with IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets* (particularly in light of changes proposed in ED 70). Proposed wording to address onerous contracts was presented to the Board in September 2021 but was not supported on the basis that the appropriate treatment is to consider whether the transfer provider's asset is impaired. Staff were instructed to undertake further analysis to identify alternatives.

Nature of Transfer Expenses

8. The nature of a transfer expense is that the transfer provider transfers resources to the transfer recipient without directly receiving anything in return.
9. Staff consider that the transfer of resources to a transfer recipient without directly receiving anything in return is an ongoing activity of government. As such, the transfer should be recognized as an expense as the costs are incurred (that is, as the transfer provider recognizes an obligation, or loses control of the asset for resources previously transferred).

10. This approach is consistent with the rationale for not recognizing a liability for collective or individual services in IPSAS 19 and with the approach to contracts where the contractor undertook construction for less than cost (or for no direct consideration) in IPSAS 11, *Construction Contracts*.

Impairment

11. Staff acknowledge that there may be circumstances where it would be appropriate to recognize a loss, for example where resources have already been transferred to the transfer recipient, and it subsequently becomes clear that the transfer recipient will not be able to fulfill its obligations nor to return the resources.
12. Staff consider that such circumstances are best addressed by assessing the transfer provider's asset (recognized in respect of the resources already transferred) for impairment.
13. The appropriate impairment treatment will depend on the nature of the transfer provider's asset:
- (a) If the asset is an intangible asset, the asset will be impaired in accordance with IPSAS 21; and
 - (b) If the asset is a financial asset¹, the asset will be impaired in accordance with IPSAS 41, *Financial Instruments*.
14. The transfer provider's asset under a binding arrangement for transfer expenses does not satisfy the definition of a financial asset. The asset is neither cash nor an equity instrument, and the asset represents the right to have the transfer recipient fulfil its obligations rather than a right to receive cash or another financial asset, or a right to exchange financial instruments under potentially favorable conditions.
15. IPSAS 28 and IPSAS 41 apply to some contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments. This does not apply to transfer expenses. While it is possible that the transfer recipient may be required to return the funds it has received, this will be a penalty imposed for non-compliance with the binding arrangement. The transfer recipient does not have a right to settle net in cash or another financial instrument.
16. Staff therefore recommend that the measurement of the transfer provider's asset after recognition should require the asset to be assessed for impairment in accordance with IPSAS 21. This is reflected in the proposed accounting model for transfer expenses with binding arrangements.
17. The proposed amendments are shown as part of the transfer expenses with binding arrangements accounting model in [Appendix 2 to Agenda Item 8.2.3](#).

Analysis: Cost of Transfer Expenses

18. Measuring the resources transferred will generally be straightforward for cash transfers and for most non-cash transfers of goods or non-current assets. The transfer provider may also supply services

¹ IPSAS 28 defines a financial asset as "any asset that is:

- (a) Cash;
- (b) An equity instrument of another entity;
- (c) A contractual right:
 - (i) To receive cash or another financial asset from another entity; or
 - (ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity; or
- (d) A contract that will or may be settled in the entity's own equity instruments..."

to the transfer recipient (either outside of a binding arrangement or as part of a binding arrangement). Additional guidance has been developed for the following issues:

- (a) Cost of self-produced goods transferred, including overheads, by reference to IPSAS 12, *Inventories*.
 - (b) Services. Guidance on the items to be included in the cost of the services provided has been developed, based on the similar guidance included in IPSAS 12.
 - (c) Non-recoverable tax. The transfer provider may reimburse an entity for the costs it has incurred, including non-recoverable sales taxes². This sales tax is not a tax on the transfer provider, and should be accounted for as part of the cost of the transfer expense.
19. In line with the requirements of IPSAS 12, administrative overheads that do not contribute directly to the transfer of resources to a transfer recipient are not included in the cost of transfer expenses. As a result, an entity's processes for identifying the recipients of transfer expenses (for example where the transfer provider invites potential transfer recipients to submit bids for funding) are not included in the cost of transfer expenses as they do not contribute directly to the transfer of resources to a transfer recipient.
20. This guidance will be applicable to both transfer expenses without binding arrangements and transfer expenses with binding arrangements. The proposed amendments are shown in [Appendix 1](#).

Decision Required

21. Does the IPSASB agree with the staff recommendations?

² Terminology for sales taxes may differ by jurisdiction.

Appendix 1 – Proposed Guidance

Purpose	Sources	Draft Guidance
Core Text		
Transfer Expenses		
Cost of transfer expenses	<i>Proposed guidance</i>	A transfer provider may transfer non-current assets or inventory to the transfer recipient. The transfer provider determines the cost of the transfer expense (the carrying amount of the resource transferred) by applying the relevant Standard.
	<i>Proposed guidance</i>	A transfer provider may transfer services to a transfer recipient. The carrying amount of the resource transferred to the transfer recipient is the cost of the services transferred, and shall be measured at the costs of their production. These costs consist primarily of the labor and other costs of personnel directly engaged in providing the service, including supervisory personnel and attributable overheads. The costs of labor not engaged in providing the service are not included. Labor and other costs relating to general administrative personnel are not included. The cost of services transferred by a transfer provider does not include surplus margins or non-attributable overheads that are often factored into prices charged when similar services are sold.
	<i>Proposed guidance</i>	A transfer provider may reimburse the non-recoverable VAT of a transfer recipient. Such amounts are not a tax levied on the transfer provider, and are included in the cost of the transfer expense (the carrying amount of the resources transferred).
	<i>Proposed guidance</i>	Administrative overheads that do not contribute directly to the transfer of resources to a transfer recipient are not included in the cost of transfer expenses. Processes for identifying the recipients of transfer expenses, for example where the transfer provider invites potential transfer recipients to submit bids for funding, do not contribute directly to the transfer of resources to a transfer recipient and are therefore not included in the cost of transfer expenses.

The Concept of a ‘Present Obligation’ in Revenue Accounting

Question

1. Does the IPSASB agree with staff recommendations?

Recommendations

2. Staff recommend the IPSASB agree:
 - (a) That a ‘present obligation’ in Revenue is not the same as in the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (“the Conceptual Framework”). A ‘present obligation’ in Revenue is a legally binding obligation in a binding arrangement, which is a component (unit of account) for revenue accounting. It is an entity’s specific obligation to use resources received in compliance with the terms of the binding arrangement; and
 - (b) To develop a new specific term and definition to more clearly communicate the ‘present obligation’ concept in the context of Revenue in paragraph 2(a).

Background

3. Exposure Draft (ED) 71, *Revenue without Performance Obligations* described a present obligation for revenue accounting as “a binding obligation (legally or by equivalent means), which an entity has little or no realistic alternative to avoid and which results in an outflow of resources.” This term and description were adopted from the IPSASB’s current 2014 Conceptual Framework.
4. Comments in ED 71 responses related to present obligations mainly highlighted issues related to principles regarding the existence and recognition of a liability (deferred revenue).³ Some constituents also requested that the IPSASB clarify what constitutes a present obligation.⁴
5. In reviewing the revenue ED responses related to accounting principles:
 - (a) The IPSASB made key decisions related to when a present obligation gives rise to a liability (deferred revenue) and how a performance obligation is a subset of a present obligation; and
 - (b) The Drafting Group began reviewing proposed drafting based on the IPSASB decisions thus far, including drafting related to distinguishing performance obligations from present obligations.
6. Considering constituent comments to the revenue EDs, specific points made by members during IPSASB discussions (particularly on whether a present obligation in revenue is itself a liability as defined in the Conceptual Framework), and current challenges in drafting guidance to clearly distinguish performance obligations as a subset of present obligations, staff believe there is significant value in clarifying what constitutes a ‘present obligation’ in the context of revenue (and reassessing whether the term remains appropriate for the concept).

³ The IPSASB asked constituents in Specific Matter for Comment (SMC) 1 whether they agree that specified activities and eligible expenditures give rise to present obligations. Almost half of respondents disagreed or partially disagreed with this SMC, generally in the context of deferring revenue recognition if a present obligation exists.

⁴ A few of these constituents are of the view that a present obligation arises from the requirement to repay funds in the event that the terms of the binding arrangement are not met. This was not considered in this analysis because Board decisions to date have clarified that a requirement to repay funds is a potential consequence imposed on an entity if it does not fulfill its present obligations in a binding arrangement. An entity must consider whether the liability definition is met (September 2021 Agenda Item 4.2.1).

Analysis

7. IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)* uses the term 'present obligation' to describe "a duty to act or perform in a certain way" (IPSAS 23.51) and the guidance indicates that this present obligation may give rise to a liability (consistent with the 2014 Conceptual Framework released subsequently).
8. ED 71, which was intended to replace IPSAS 23, continued to use the term 'present obligation' in the Revenue context, but did not adopt the IPSAS 23 description of 'present obligation'. Rather, the proposed ED 71 description is the same as the description of a present obligation in the 2014 Conceptual Framework. Despite sharing the same description, the term 'present obligation' has not been used in the same way in Revenue as it is in the Conceptual Framework.

'Present Obligation' in the Conceptual Framework

9. The December 2021 Conceptual Framework, Limited Scope Update (Agenda Item 6) presents proposed guidance related to the definition of a liability (Chapter 5, paragraphs 5.14-5.17D). This guidance indicates that a present obligation is binding (either legally binding or non-legally binding), which means an entity would have little or no realistic alternative to avoid it.

'Present Obligation' in the Revenue Context

10. 'Present obligation', as currently used in the Revenue project for revenue with binding arrangements, is a legally binding obligation. This is because all binding arrangements in the proposed *Revenue* IPSAS are, by definition, legally binding (enforceable through legal or equivalent means) and any obligation in a binding arrangement is a legally binding obligation, that the entity would have little or no realistic alternative to avoid.⁵
11. Several other IPSASB discussions and decisions have further clarified the nature and use of the term 'present obligation' in the context of revenue ([Appendix 1](#)). In particular:

Nature of a Present Obligation	Consistency in Principle
Present obligations are units of account to determine distinct components within a binding arrangement, and are mechanisms used for the recognition and measurement of revenue. Revenue is recognized as each present obligation is fulfilled.	This is consistent with the IASB's objective in using 'performance obligations' in IFRS 15, <i>Revenue from Contracts with Customers</i> , to ensure that entities appropriately identify the unit of account for the goods and services promised in a contract with a customer. Identifying a meaningful unit of account was considered fundamental for the purpose of recognizing revenue on a basis that faithfully depicts the entity's performance in transferring the promised goods or services to the customer.
A present obligation is an important component in the definition of a liability ⁶ . In the Revenue context, a present obligation is a requirement for the entity to use a resource in a specific way , in	The notion of a 'requirement' is consistent with the notion of a 'promise' in: <ul style="list-style-type: none"> The proposed 'performance obligation' in ED 70, <i>Revenue with Performance Obligations</i>; and

⁵ This is consistent with the IPSASB's decision in March 2021 that the existence of rights and obligations within, and enforceability of, a binding arrangement mean that it contains at least one present obligation.

⁶ The Conceptual Framework defines a liability as "a present obligation of the entity for a transfer of resources that result from past events." Not all present obligations require the entity to transfer resources as a result of past events.

Agenda Item 8.2.5

compliance with the terms and conditions of the binding arrangement.	<ul style="list-style-type: none"> The IASB's 'performance obligation' in IFRS 15. The notion of a performance obligation is similar to the notion of deliverables, components or elements of a contract in previous revenue IAS.
--	--

Comparing Use of the Term

12. The preceding paragraphs highlight that the concept of a 'present obligation' in Revenue with a binding arrangement is not completely identical with its use in the Conceptual Framework:

	In the Conceptual Framework	In Revenue	Is it the same?
Binding (little or no realistic alternative to avoid)	<ul style="list-style-type: none"> Legally binding <i>OR</i> non-legally binding 	<ul style="list-style-type: none"> Legally binding – implicit in a binding arrangement⁷ 	No – 'present obligation' in revenue is narrower
Gives rise to liability?	Yes, <u>if</u> the 'present obligation' also requires a transfer of resources as a result of past events.	Yes, <u>if</u> the 'present obligation' also requires a transfer of resources as a result of past events.	Yes
Use of the term	To <u>generally describe</u> an entity's binding obligation.	To describe <u>distinct obligations</u> that are components (units of account) within a binding arrangement, for the recognition and measurement of revenue.	No – 'present obligation' in revenue is narrower

13. This analysis demonstrates that the term 'present obligation' used for revenue with binding arrangements fits into the description of a present obligation in the Conceptual Framework but is used to describe a slightly different, narrower, concept for revenue accounting. 'Present obligation' in the Revenue context is intended to describe legally binding obligations in a binding arrangement, as components (units of account) for revenue accounting. These components are specific obligations to use resources received in compliance with the terms of the binding arrangement.

Next Steps

14. Staff recommend that the IPSASB:
- Use a new term to describe the concept in Revenue, for standard-level guidance; and
 - Develop a definition in the Revenue standard, to support an understandable and usable IPSAS. Staff are of the view that the standards-level definition should be in the context of revenue transactions to ensure that the concept is clear and appropriate. This definition should reflect the nature and concept of a present obligation proposed in this paper.

Staff propose suggestions for preliminary discussion in the next paper, [Agenda Item 8.2.6](#).

Decision Required

15. Does the IPSASB agree with the staff recommendations?

⁷ This is implicit because a present obligation arises from a binding arrangement. The enforceability of a binding arrangement allows each party to hold the other parties accountable and to compel them to fulfill their obligations in compliance with the outlined terms/conditions in the binding arrangement, or face consequences of unfulfillment.

Appendix 1 – Detailed Analysis: What is a ‘Present Obligation’

Considering the Nature of a Present Obligation as Used in Revenue

- Staff acknowledge that, in clarifying the nature of a present obligation, it is important to ensure that it will also encompass and apply to performance obligations, which are a subset of present obligations. Staff considered whether the nature of the present obligation proposed is consistent in principle, where appropriate:

Nature of a Present Obligation	Consistency in Principle
Present obligations are units of account to determine distinct components within a binding arrangement, and are mechanisms used for the recognition and measurement of revenue. Revenue is recognized as each present obligation is fulfilled. (March 2021 Agenda Item 5.2.5)	Considering a present obligation as a unit of account is consistent with ‘performance obligation’ in ED 70 (which was based on the IASB’s objective in using ‘performance obligations’ in IFRS 15). IFRS 15.BC85 indicated that the IASB’s (and FASB’s) objective in developing the definition of a performance obligation was to ensure that entities appropriately identify the unit of account for the goods and services promised in a contract with a customer. Identifying a meaningful unit of account was considered fundamental for the purpose of recognizing revenue on a basis that faithfully depicts the entity’s performance in transferring the promised goods or services to the customer.
A present obligation is an important component in the definition of a liability. Not all present obligations require the entity to transfer resources as a result of past events. A present obligation is only a liability if it requires transfer of resources as a result of past events. (September 2021 Agenda Item 4.2.1) In the Revenue context, a present obligation is a requirement to use a resource in a specific way , in compliance with the terms and conditions of the binding arrangement. For example, State Government A receives CU10 million from a transfer provider in a binding arrangement to construct a civic center for the State.	The notion of a ‘requirement’ is consistent with the notion of a ‘promise’ in: (a) The proposed ‘performance obligation’ in ED 70, which was defined as a promise in a binding arrangement with a purchaser to transfer to the purchaser or third-party beneficiary either: i. A good or service (or a bundle of goods or services) that is distinct; or ii. A series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the purchaser or third-party beneficiary. (b) The IASB’s ‘performance obligation’ in IFRS 15. It’s BC84 indicated that the notion of a performance obligation is similar to the notions of deliverables, components or elements of a contract in previous revenue IAS.

Accounting based on Fulfillment of Present Obligation

- Present obligations in the revenue context are units of account to determine distinct components within a binding arrangement, and are mechanisms for the recognition and measurement of revenue. Accounting for revenue arising from transactions with binding arrangements is based on whether a present obligation is fulfilled or unfulfilled. Based on its discussions in [April 2021 Agenda Item 1.2.3](#), the IPSASB confirmed that there is no accounting when neither party has fulfilled their present obligation in the binding arrangement (unless the binding arrangement is onerous). Accounting for

Agenda Item 8.2.5

the binding arrangement begins when the binding arrangement is at least partially fulfilled (i.e., at least one party begins to fulfill one or more of its stated obligations).

3. For illustrative purposes only, staff use two scenarios to demonstrate how the fulfillment (or lack of fulfillment) of present obligations impacts the entity's accounting. Consistent with analysis in previous agenda papers, these scenarios are in the context of revenue arising from a transaction with a binding arrangement with only two parties, for simplicity. These scenarios also assume that the consequence imposed on the entity (transfer recipient) for not fulfilling the present obligation is the return of resources received.
 - (a) Scenario 1: Transfer provider fulfills its present obligation first by providing resources, before the entity fulfills its present obligation in accordance with the binding arrangement.
 - (b) Scenario 2: The entity fulfills its present obligation first, before the transfer provider fulfills its present obligation in accordance with the binding arrangement.

	Scenario 1: Transfer provider fulfills its present obligation first	Scenario 2: Entity fulfills its present obligation first
Status of the entity's present obligation	Unfulfilled	Fulfilled
Accounting triggered	<p>The entity's right has been satisfied as it has now received the resources promised by the transfer provider. However, the entity has not yet fulfilled its present obligation and earned revenue.</p> <p>As confirmed in September 2021 Agenda Item 4.2.1, the entity recognizes the inflow of resources and a liability (deferred revenue) because it received resources prior to fulfilling its present obligation, and the enforceable terms of the binding arrangement require the entity to transfer resources to another party if it does not fulfill its present obligations.</p>	<p>The entity has fulfilled its present obligation and recognizes the revenue earned. However, the entity's right has not yet been satisfied as it has not yet received the resources promised by the transfer provider. The entity recognizes revenue and an asset (receivable) related to its unfulfilled right because this right is a resource (provides economic benefits) that the entity presently controls (because of the binding arrangement) as a result of past events (willingly entering into the binding arrangement and fulfilling its present obligation prior to receiving resources). This receivable would be accounted for in accordance with IPSAS 41, <i>Financial Instruments</i>.</p>
Subsequent accounting	The liability (deferred revenue) is extinguished as the entity fulfills its present obligation and earns revenue.	The asset (receivable) is derecognized as the entity's right is fulfilled (as it receives resources from the transfer provider).

Proposed Term and Definition for ‘Present Obligation’ in Revenue (Revenue)

Question

1. Does the IPSASB agree with staff's recommendations?

Recommendations

2. Staff recommend the IPSASB:
 - (a) Define the concept in the *Revenue* IPSAS as “an entity's obligation in a binding arrangement to use resources in a specified manner”; and
 - (b) Adopt the term ‘compliance obligation’ for this concept in Revenue.

Background

3. IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*, issued in 2006, used the term ‘present obligation’ in the revenue context. ED 71, *Revenue without Performance Obligations* which was intended to replace IPSAS 23, continued to use the term ‘present obligation’ in the revenue context, but did not adopt the IPSAS 23 description of ‘present obligation’. Rather, the proposed ED 71 description aligned with the description of a present obligation in the current *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (“the 2014 Conceptual Framework”).
4. Based on its analysis in [Agenda Item 8.2.5](#), staff recommended that the IPSASB:
 - (a) Develop a definition in the Revenue standard to address some constituent comments⁸, and ensure that the concept is clearly presented in the final IPSAS; and
 - (b) Use a new term to describe the ‘present obligation’ concept as used in the Revenue context for standard-level guidance.

Analysis

Definition in the Revenue IPSAS

5. The definition should be principled to better capture the range of such obligations. The terms and conditions of a binding arrangement in a jurisdiction are unique. By willingly entering a binding arrangement, the entity agrees to use the resources received or receivable from the other party (or parties), in compliance with the terms and conditions in that binding arrangement.
6. Staff considered the concept in the Revenue context ([Appendix 1](#)) and propose to define it as “*an entity's obligation in a binding arrangement to use resources in a specified manner.*”
7. As discussed in [September Agenda Item 4.2.1](#), a liability exists when a ‘present obligation’ requires a transfer of resources as a result of past events. Whether a ‘present obligation’ results in a liability is dependent on the terms and conditions of the binding arrangement, the nature of the revenue transaction, and the specific actions of the parties involved. The proposed *Revenue* IPSAS will have separate guidance for an entity to consider whether their ‘present obligation’ in a binding arrangement gives rise to a liability or not.

⁸ A few constituents preferred that present obligation be defined in the proposed IPSAS, rather than described as in ED 71. One of these respondents acknowledged that it may be “extremely difficult” to develop a universally applicable definition, and that additional non-authoritative guidance may also be suitable.

8. Staff propose to include additional Application Guidance to clarify “use resources in a specified manner.” The terms in binding arrangements clearly outline how an entity is required to use the resources promised by, or already received from, the transfer provider, to achieve specific objectives listed in the binding arrangement. These specific objectives may be incremental to the entity’s service delivery objectives, or additional objectives for which the entity has engaged in through the binding arrangement. Promised or received resources may be used to provide economic benefit or service potential to the entity itself (i.e., internally) or to another party (e.g., externally, to transfer goods or services back to the transfer provider (purchaser), or to a 3rd party beneficiary).

Whether the Definition is Appropriate in Conjunction with Current or Proposed IPSAS

9. To test whether this definition is appropriate, in conjunction with current IPSAS, staff considered if this definition is consistent with existing IPSAS literature, where appropriate:
- (a) **Consistent with the revised Conceptual Framework** – As noted in [Agenda Item 8.2.5](#), the concept in Revenue is narrower than in the Conceptual Framework. The proposed definition clarifies that ‘present obligation’ is specific to revenue transactions with binding arrangements and has requirement(s) to use resources in a specified manner.
 - (b) **Consistent with IPSAS 23⁹** – The proposed definition, which clarifies that a ‘present obligation’ is an obligation to use resources in a specified manner, is similar to the description in IPSAS 23 that it is “a duty to act or perform in a certain way.”
10. To test whether this definition is appropriate, in conjunction with the proposed *Revenue* IPSAS, which includes performance obligations as a subset of ‘present obligations’, staff considered whether the definition of a performance obligation¹⁰ would fit into this proposed definition of a ‘present obligation’. Staff are of the view that this definition is appropriate because both concepts (and their definitions) allude to the concept of distinct units of account. Performance obligations have a greater level of specificity, as it entails a transfer of specific goods and services, and a clearly identifiable party (or parties) that will receive these goods or services (either the purchaser or the third-party beneficiary). Performance obligations also, rightly, use the term “promise” to align with the wording in IFRS 15.

Adopting a New Term to Replace ‘Present Obligation’ in the Revenue Context

11. Considering the analysis in [Agenda Item 8.2.5](#), compliance is a key element of the concept of a ‘present obligation’ in Revenue. A ‘present obligation’ in Revenue is an entity’s specific legally binding obligation to use resources received in compliance with the terms of the binding arrangement. The enforceability of a binding arrangement allows each party to hold the other parties accountable, and to require each party to fulfill their obligations in compliance with the terms in the binding arrangement, or face consequences of unfulfillment. This means that all binding arrangements (and their enforceability) require the entities in that arrangement to comply.

⁹ Staff acknowledge that the proposed *Revenue* IPSAS would replace IPSAS 23. However, staff considered it useful to assess whether the definition for the proposed *Revenue* IPSAS is still consistent with the general intention and thinking around revenue accounting in IPSAS 23.

¹⁰ ED 70 defined a performance obligation as a performance obligation is a promise in a binding arrangement with a purchaser to transfer to the purchaser or third-party beneficiary either:

- (a) A good or service (or a bundle of goods or services) that is distinct; or
- (b) A series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the purchaser or third-party beneficiary.

Agenda Item 8.2.6

12. Staff recommend that the term 'present obligation' (as previously used in the Revenue context and in ED 71) be replaced with the term 'compliance obligation.' Thus, the definition staff propose for the Revenue IPSAS is:

Definition in the Revenue IPSAS
<i>For the purposes of this Standard, a compliance obligation is an entity's obligation in a binding arrangement to use resources in a specified manner.</i>

Decision Required

13. Does the IPSASB agree with the staff recommendations?

Appendix 1 – Defining Compliance Obligation

Staff considered the elements related to the concept of a ‘compliance obligation’, based on the analysis in [Agenda Item 8.2.5](#) and determined whether to incorporate it explicitly into the proposed definition.

#	Element of the Concept	Include in definition?	Staff rationale
A	Entity’s obligation in a binding arrangement	Yes	Including this wording in the definition would clearly communicate that an entity would <u>obtain</u> distinct <u>obligations</u> by entering a binding arrangement.
B	Legally binding with little or no realistic alternative to avoid	No	A compliance obligation arises from revenue with a binding arrangement (which is legally binding). Any compliance obligation in a binding arrangement would be a legally binding obligation, with little or no realistic alternative to avoid, because binding arrangements are, <u>by definition, legally binding</u> (enforceable through legal or equivalent means). The enforceability of a binding arrangement allows each party to hold the other parties accountable, and to compel them to fulfill their obligations in compliance with the outlined terms and conditions in the binding arrangement, or face consequences of unfulfillment. This legally binding obligation arises because the entity has willingly entered into the binding arrangement and agreed to comply to the specified terms within the arrangement. The inclusion of “in a binding arrangement” (proposed in the Element A) would sufficiently capture this element.
C	May gives rise to liability	No	Not all compliance obligations will give rise to a liability. As presented in September Agenda Item 4.2.1 , the entity <u>only has a liability</u> if its present [compliance] obligation requires a transfer of resources as a result of past events. The proposed <i>Revenue</i> IPSAS will have separate guidance for an entity to consider whether their compliance obligation gives rise to a liability or not.
D	Requirement to use resources in a specific manner	Yes	Including this wording in the definition would clearly communicate that the entity is <u>required to comply</u> with the terms of the binding arrangement. These specific obligations are enforceable as the revenue is from a transaction with a binding arrangement.

Distinguishing Individual ‘Present Obligations’¹¹ (Revenue)

Question

1. Does the IPSASB agree with the staff recommendation?

Recommendations

2. Staff recommend the IPSASB incorporate guidance to clarify how an entity should distinguish individual ‘present [compliance] obligations’ in a binding arrangement, as proposed in [Appendix 1](#).

Background

3. The IPSASB identified a need to clarify how to distinguish individual ‘present [compliance] obligations’ within a binding arrangement during its discussion on [September 2021 Agenda Item 4.2.1](#). This paper proposes how to distinguish individual ‘present [compliance] obligations’ and revised guidance.

Analysis

4. The IPSASB confirmed in March 2021 that a binding arrangement has at least one ‘present [compliance] obligation’. A binding arrangement may have multiple ‘present [compliance] obligations’.¹² This is supported by staff’s analysis in [Agenda Item 8.2.5](#), which presented that ‘present [compliance] obligations’ are units of account to determine distinct components within a binding arrangement, and are mechanisms used for the recognition and measurement of revenue. Each ‘present [compliance] obligation’ is a requirement to use a resource in a specific way, in compliance with the terms and conditions of the binding arrangement.
5. The accounting for each ‘present [compliance] obligation’ should be considered separately in accordance with the nature of each obligation (i.e., based on each unit of account). Each entity obligation is:
 - (a) Capable of being distinct (as each requirement to use resources in a specific manner provides economic benefits or service potential on its own or together with other resources readily available); and
 - (b) Distinct in the context of the binding arrangement (as each requirement is separately identifiable from other requirements in the arrangement).
6. While it may be more common in the public sector for a binding arrangement to have only one ‘present [compliance] obligation’, staff are of the view that the *Revenue* IPSAS should provide principled guidance for an entity to determine if compliance requirements in a binding arrangement is a single or multiple distinct ‘present [compliance] obligations’. If the entity is not able to distinguish an individual compliance requirement from other compliance requirements (i.e., it is not capable of being distinct, or is not distinct in the context of the binding arrangement), it should be combined with other compliance requirements until it is able to identify a distinct obligation that is a ‘present [compliance] obligation’.
7. Staff propose to add core text in the *Revenue* IPSAS to clarify how an entity should distinguish distinct ‘present [compliance] obligations’ in a binding arrangement. This concept of distinct ‘present [compliance] obligations’ in a binding arrangement is consistent with what was proposed in ED 70,

¹¹ Staff have proposed to replace the term ‘present obligation’ with ‘compliance obligation’ in [Agenda Item 8.2.6](#).

¹² This is consistent with the IPSASB’s previous decisions, summarized in ED 71 Basis for Conclusion (BC) 23.

Agenda Item 8.2.7

Revenue with Performance Obligations (which aligned with IFRS 15, *Revenue from Contracts with Customers*¹³). Staff have leveraged ED 70 guidance to propose guidance on how to determine distinct 'present [compliance] obligations' in a binding arrangement ([Appendix 1](#)). Once incorporated, staff will minimize duplication in the draft IPSAS.

Decision Required

8. Does the IPSASB agree with the staff recommendation?

¹³ The IASB clarified in IFRS 15 BC85 that their intention was to ensure entities appropriately identify the unit of accounts promised in a contract because the revenue recognition model is an allocated transaction price model. Thus, identifying a meaningful unit of account that depicts the goods and services in the contract is fundamental for the purpose of recognizing revenue on a basis that faithfully depicts the entity's performance in transferring the promised goods or services to the customer.

Appendix 1 – Proposed Guidance

1. As presented in [Agenda Item 8.2.6](#), a 'present [compliance] obligation' (which staff has proposed to replace with 'compliance obligation') is *an entity's obligation in a binding arrangement to use resources in a specified manner*. As proposed in the core paper above, each entity obligation is a distinct compliance requirement in the binding arrangement that is:
 - (a) Capable of being distinct (as each requirement provides economic benefits or service potential on its own or together with other resources readily available); and
 - (b) Distinct in the context of the binding arrangement (as each requirement is separately identifiable from other requirements in the arrangement).
2. ED 70 proposed guidance on distinct goods and services, in the context of revenue with performance obligations. This guidance is aligned with IFRS 15 and helps an entity determine individual components (i.e., units of account) within the revenue model, which is an allocation-based model. Staff are of the view that the concept as presented in ED 70 is also applicable for identifying distinct 'present [compliance] obligations' and propose to leverage ED 70 guidance (specifically ED 70.26-29) to clarify how an entity should distinguish individual 'present [compliance] obligations' in a binding arrangement.

Note: The proposed guidance below uses legacy terminology from ED 70 and ED 71 (e.g., transfer provider, purchaser, present [compliance] obligation, etc.). Changes to and consistency in terminology will be revisited as drafting progresses.

Purpose	Sources	Draft Guidance
Core Text		
With BA:	Distinct Present [compliance] Obligations	
Distinguish individual present [compliance] obligations	ED 70.26, Current agenda paper	<p>A good or service that is promised to a purchaser. An entity's obligation in a binding arrangement is distinct if both of the following criteria are met:</p> <p>(a) The purchaser promise to use resources in a specified manner can generate provide economic benefits or service potential from the good or service either on its own or together with other resources that are readily available to the purchaser entity or another party or parties (i.e., the good or service promise to use resources is capable of being distinct); and</p> <p>(b) The entity's promise to transfer the good or service to the purchaser or third-party beneficiary promise to use resources in a specified manner is separately identifiable from other promises in the binding arrangement (i.e., the promise to transfer the good or service promise to use resources is distinct within the context of the binding arrangement).</p>
	Current agenda paper	An entity's obligation generates economic benefits or service potential in accordance with paragraph 26(a) [above] if the resources can be used or consumed in a way that generates economic benefits or service potential through its output or outputs. The entity, transfer provider, or another party may be able to generate the economic benefits or service potential on its own, or in conjunction

Agenda Item 8.2.7

Purpose	Sources	Draft Guidance
		with other readily available resources. Various factors may provide evidence that the entity or another party or parties can generate the economic benefits or service potential from the use resources in the specified manner, either on its own or in conjunction with other readily available resources. For example, the fact that the entity regularly provides a good or service separately use resources in the specified manner would indicate that a purchaser the entity can generate the economic benefits or service potential from the good or service on its own or with other readily available resources, which may qualify as a distinct present [compliance] obligation.
	<i>Current agenda paper</i>	<p>An entity's obligation is separately identifiable in accordance with paragraph 26(b) [above] if the nature of the obligation, within the context of the binding arrangement, is to use resources received from a transfer provider in several individually specific ways. For example, the binding arrangement that includes two separate uses for specific amounts of resources, to act or perform a duty in two specific ways, would indicate that the entity has separately identifiable promises, which may qualify as two distinct present [compliance] obligations. Factors that indicate that two or more promises to use resources in a specific manner are not separately identifiable include, but are not limited to, the following:</p> <ul style="list-style-type: none"> (a) The entity provides a significant service of integrating the resources received in the binding arrangement with other resources that represent the combined output or outputs for which the parties have entered into binding arrangement. In other words, the entity is using the resources as inputs to produce or deliver the combined output or outputs specified by the transfer provider. A combined output or outputs might include more than one phase, element or unit. (b) One or more of the outputs from using the resources in the specified manner significantly modifies or customizes, or are significantly modified or customized by, one or more of the other outputs from using the resources in the specified manner in the binding arrangement. (c) The outputs from using the resources in the specified manner are highly interdependent or highly interrelated. In other words, each of the outputs is significantly affected by one or more of the other outputs in the binding arrangement. For example, in some cases, two or more outputs are significantly affected by each other because the entity would not be able to fulfill its promises by using resources in the specific ways independently.
	<i>ED 70.29, Current agenda paper</i>	If a promise is not a distinct from other promises, an entity shall combine that with other promises until it identifies a bundle of promises that is distinct (i.e., a single combined present [compliance] obligation). In some cases, that would may result in the entity accounting for all the promises promised in a binding arrangement as a single present [compliance] obligation.
Additional considerations related to	Distinct Performance Obligations	
	<i>Board decision</i>	For any present [compliance] obligations in their binding arrangement that are performance obligations, an entity should apply the following guidance, in addition to paragraphs XX-XX, to determine whether their performance obligations are distinct.

Purpose	Sources	Draft Guidance
distinguishing performance obligations	ED 70.26	In a revenue transaction with performance obligations, a purchaser can generate the economic benefits or service potential from the good or service transferred to a third-party beneficiary when the transfer of the good or service to the third-party beneficiary contributes to the purchaser achieving its service delivery objectives.
	ED 70.27, <i>Current agenda paper</i>	A purchaser can generate the economic benefits or service potential from the good or service promised in accordance with paragraph 26(a) if the good or service could be used, consumed, sold for an amount that is greater than scrap value or otherwise held in a way that generates economic benefits or service potential. For some goods or services, a purchaser may be able to generate the economic benefits or service potential from the good or service on its own. For other goods or services, a purchaser may be able to generate the economic benefits or service potential from the good or service only in conjunction with other readily available resources. A readily available resource is a good or service that is sold separately (by the entity or another entity) or a resource that the purchaser has already obtained from the entity (including goods or services that the entity will have already transferred to the purchaser or third-party beneficiary under the binding arrangement) or from other transactions or events. Various factors may provide evidence that the purchaser can generate the economic benefits or service potential from the good or service either on its own or in conjunction with other readily available resources. For example, the fact that the entity regularly provides a good or service separately would indicate that a purchaser can generate the economic benefits or service potential from the good or service on its own or with other readily available resources.
	ED 70.28, <i>Current agenda paper</i>	<p>In assessing whether an entity's promises performance obligations promising to transfer goods or services to the purchaser or third-party beneficiary are separately identifiable in accordance with paragraph 26(b), the objective is to determine whether the nature of the promise, within the context of the binding arrangement, is to transfer each of those goods or services individually or, instead, to transfer a combined item or items to which the promised goods or services are inputs. Factors that indicate that two or more promises to transfer goods or services to a purchaser or third-party beneficiary are not separately identifiable (i.e., not separate performance obligations) include, but are not limited to, the following:</p> <ul style="list-style-type: none"> (a) The entity provides a significant service of integrating the goods or services with other goods or services promised in the binding arrangement into a bundle of goods or services that represent the combined output or outputs for which the purchaser has entered into binding arrangements. In other words, the entity is using the goods or services as inputs to produce or deliver the combined output or outputs specified by the purchaser. A combined output or outputs might include more than one phase, element or unit. (b) One or more of the goods or services significantly modifies or customizes, or are significantly modified or customized by, one or more of the other goods or services promised in the binding arrangement. (c) The goods or services are highly interdependent or highly interrelated. In other words, each of the goods or services is significantly affected by one or more of the other goods or services in the binding arrangement. For example, in some cases,

Agenda Item 8.2.7

Purpose	Sources	Draft Guidance
		two or more goods or services are significantly affected by each other because the entity would not be able to fulfill its promise by transferring each of the goods or services independently.

Clarifying Specified Activities and Eligible Expenditures (Revenue)

Question

1. Does the IPSASB agree with the staff recommendation?

Recommendations

2. Staff recommend the IPSASB revise revenue guidance related to specified activities and eligible expenditures to clarify that they are examples of ways in which an entity may fulfill its 'present [compliance] obligation'¹⁴ in a binding arrangement.

Background

3. Exposure Draft (ED) 71, *Revenue without Performance Obligations* described a 'present [compliance] obligation' and proposed that an obligation to perform a specified activity or incur an eligible expenditure is a 'present [compliance] obligation'.¹⁵
4. The IPSASB received responses to ED 71 related to 'present [compliance] obligations', specified activities and eligible expenditures. This paper addresses the comments related to specified activities and eligible expenditures.

Analysis

5. Some constituents request that the IPSASB further consider the nature of specified activities and eligible expenditures. These constituents did not agree that specified activities and eligible expenditures are 'present [compliance] obligations' and give rise to liabilities, as presented in the IPSASB's 2014 *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* ("the Conceptual Framework").
6. ED 71.17 proposed that a transfer recipient should consider whether an obligation to perform a specified activity or incur an eligible expenditure is a 'present [compliance] obligation'. Staff highlight that in its view the IPSASB's intention in developing the ED was not to state that a requirement to perform specified activities or incur eligible expenditures, in and of itself, gives rise to a 'present [compliance] obligation', but rather that they inform the recognition of revenue.¹⁶
7. An entity may measure its progress in fulfilling its 'present [compliance] obligations' in various ways, including but not limited to performing a specified activity or incurring an eligible expenditure. A transfer recipient may fulfill its 'present [compliance] obligation', thereby reducing any liability (deferred revenue) and recognizing earned revenue, by performing actions associated with an activity, or by incurring an eligible expenditure, in accordance with the requirements in the binding arrangement. An entity may use its performance of specified activities or incurrence of eligible expenditures as a measure of its progress in fulfilling its 'present [compliance] obligation' to determine when it earns (and recognizes) revenue and extinguishes (decreases) any existing liability (deferred revenue).

¹⁴ Staff have proposed to replace the term 'present obligation' with 'compliance obligation' in [Agenda Item 8.2.6](#).

¹⁵ This description and additional guidance were presented in ED 71 paragraphs 14-21.

¹⁶ The IPSASB's decision is based on September 2019 Agenda Item 8.2.2.

8. Staff intend to:
- (a) Revise existing guidance to clarify that specified activities or eligible expenditures are examples of ways in which an entity may fulfill its 'present [compliance] obligation' in a binding arrangement, and to recognize and measure earned revenue. This drafting should remain principled, so an entity can apply judgment to determine how to measure its progress in fulfilling its 'present [compliance] obligations' based on the terms and conditions in specific binding arrangements; and
 - (b) Remove the definitions of specified activity and eligible expenditure from the core text (as proposed in ED 71); to reflect that they are not core principles.

Decision Required

9. Does the IPSASB agree with the staff recommendation?

Supporting Document 1 – Draft Transfer Expenses IPSAS

The following document is a preliminary draft IPSAS for Transfer Expenses (authoritative text only). The intention of this preliminary draft is to present:

- 1) The overall revised structure based on the IPSASB's decisions to date (in particular, requiring an entity to first consider whether the transaction is without or with a binding arrangement, removing the distinction between performance obligations and present obligations for transfer expenses, and presenting guidance based on prominence in the public sector); and
- 2) Revisions made to transfer expenses accounting principles based on IPSASB decisions and instructions.

This preliminary draft is subject to further change, including but not limited to:

- 1) Additional or revised drafting based on IPSASB decisions on previous and current discussions;
- 2) Updates for consistent terminology (e.g., entity, transfer recipient, purchaser, transfer provider, etc.), where appropriate;
- 3) Relocate guidance, as necessary; and
- 4) Comments and changes based on Drafting Group discussions.

IPSASB decisions to date, and Revenue guidance that is also relevant for transfer expenses

Meeting	Change ID	Decision on Principles
April 2021	21.04-A	Confirm, for transfer expenses, that there is no initial recognition when no party has fulfilled its stated obligations under the binding arrangement, unless the binding arrangement is onerous. Consider an entity's right and obligation within a binding arrangement are directly linked and interdependent. When the binding arrangement is wholly unfulfilled, the combined right and obligation constitute a single asset or liability. Incorporate executory contract accounting principles without explicitly referring to the term executory contracts. Drafting should refer to specific principles to account for binding arrangements.
April 2021	21.04-B	Retain binding arrangement as a fundamental concept for transfer expense accounting. Principles related to binding arrangements should be consistent [with the revenue project]. Identification and assessment of a binding arrangement is from the perspective of the entity.
April 2021	21.04-C	Confirm that, in a binding arrangement, the transfer provider and the transfer recipient will each have at least one present obligation.
April 2021	21.04-D	Confirm that enforceability can be demonstrated by various mechanisms in transfer expense accounting, and all relevant factors should be considered in that analysis.
June 2021	21.06-B	Incorporate the definition of a 'binding arrangement' (as decided above for Revenue) into the final Transfer Expenses standard to ensure the standards are conceptually consistent and freestanding.
June 2021	21.06-C	Clarify in the Revenue and Transfer Expenses standards that enforceability is based on the entity's ability to enforce the binding arrangement and uncertainty of enforcement is a measurement issue.

Agenda Item 8.3.1

Meeting	Change ID	Decision on Principles
June 2021	21.06-D	Confirm that enforceability is the ability to impose consequences on parties that do not fulfill their agreed-upon obligations in the binding arrangement, and the guidance proposed in paragraph 21 should be added as Application Guidance.
June 2021	21.06-E	Confirm that the assessment of enforceability of a binding arrangement occurs at inception and when a significant external change indicates that there may be a change in the enforceability of that binding arrangement.
June 2021	21.06-F	Confirm that legal or equivalent means is consistent with 'legal obligation' as described in the Conceptual Framework Chapter 5 and is not 'non-legally binding obligation'.
June 2021	21.06-G	Revise the definition of a liability in the IPSASB's Conceptual Framework by replacing 'outflow of resources' with 'transfer of resources' as the revised wording clarifies (i.e., does not substantially change) the underlying concepts.
September 2021	21.09-D	The guidance in the draft IPSAS based on ED 71 and ED 72 be reordered to require the entity to consider up front whether the transaction arises without or with a binding arrangement.
September 2021	21.09-F	Revisions to the scope, proposed in the Appendices, to address constituent concerns should be incorporated into the draft IPSAS based on ED 72 (except for Recommendation 3 on binding arrangements and onerous contracts).
September 2021	21.09-G	Where the transfer provider in a binding arrangement transfers cash or other resources prior to the transfer recipient fulfilling its obligations, the transfer provider's enforceable right to have the transfer recipient fulfill its obligations (or face consequences outlined in the binding arrangement) meets the definition of an asset.
September 2021	21.09-H	As an asset may exist where the transfer provider transfers cash or other resources prior to the transfer recipient fulfilling its obligations, the accounting model adopted in ED 72, <i>Transfer Expenses</i> for transfer expenses where the transfer recipient has a present obligation should not be retained.
September 2021	21.09-I	The distinction between transfer expenses with performance obligations and transfer expenses without performance obligations previously proposed in ED 72 should be removed, as it is not useful from a transfer provider perspective.

IPSASB instructions

Meeting	Change ID	Instructions
March 2021	21.03-E	Revise guidance in accordance with all other proposed changes outlined in Appendix 4 of the March 2021 Agenda Item 5.2.4 . [Revenue guidance that is also applicable to transfer expenses]
April 2021	21.04-E	Clarify through additional guidance that each party in a binding arrangement would have at least one present obligation.
April 2021	21.04-F	Provide explicit guidance on that assessment of enforceability when an entity first enters into an arrangement is based on the ability to enforce and not probability of enforcement at inception.
September 2021	21.09-E	Ensure the draft IPSAS include clear structure and signposting for ease of use.
September 2021	21.09-J	Revise the accounting model for transfer expenses with binding arrangements to reflect the possible existence of an asset where the transfer provider transfers cash or other resources prior to the transfer recipient fulfilling its obligations.
September 2021	21.09-K	Propose revised or additional guidance to articulate the principle related to the existence and recognition of an asset associated with an entity's (i.e., transfer provider's) right(s) in a binding arrangement, and what justifies a deferral of expense.
September 2021	21.09-L	Consider the need for additional illustrative examples to demonstrate how service potential is generated when the transfer recipient fulfills certain present obligations.
September 2021	21.09-M	Draft a Basis for Conclusion that highlights how the proposed change in principle from what was proposed in ED 72 responds to constituent concerns about the practicality and implementation of proposed guidance.
September 2021	21.09-N	Consider implications of monitoring on the ability to reliably measure the asset.
September 2021	21.09-O	Propose revised or additional guidance on the subsequent measurement of the transfer provider's asset, including guidance on when the asset should be impaired.
September 2021	21.09-P	Draft additional guidance on the initial measurement of transfer expenses to cover items to be included in their cost such as the transfer recipient's irrecoverable VAT.
September 2021	21.09-Q	Propose a revised accounting model for transfer expenses with binding arrangements to better capture the nature and substance of the transaction from a transfer provider perspective.

Other

Meeting	Change ID	Feedback
-	Editorials	Editorials proposed by Board members or TAs

Agenda Item 8.3.1

The proposed guidance is presented in the following format for easier review. This guidance is still in draft and is subject to subsequent revisions.

Guidance type			
Section			
Purpose of guidance	Source (existing ED guidance, Board decision, or staff proposal)	<p>Notes:</p> <p>[Grey – in cases where guidance remains relatively unchanged from existing source]</p> <p>[Bold - main principles (per Framework preface paragraph 12)]</p> <p>[Proposed new or revised guidance for IPSAS [X], <i>Transfer Expenses</i>]</p> <p>[Proposed deletions of guidance previously proposed in ED 72, <i>Transfer Expenses</i>]</p> <p>FYI:</p> <p>Paragraph numbers will be updated during the finalization stage.</p> <p>Guidance pending Board discussions on principle-related issues are marked with placeholders, in lieu of ED guidance.</p>	Related Board discussion (Change ID)

Purpose	Sources	Draft Guidance	Related Board discussion
Core Text			
Objective			
Objective of <i>Transfer Expenses</i> IPSAS	ED 72.1	<p>The objective of this [draft] Standard is to establish the principles that an entity (a transfer provider) shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenditure and cash flows arising from transfer expenses.</p> <p>Paragraphs AG2–AG3 provide additional guidance on meeting the objective.</p>	
	ED 72.2; <i>Proposed guidance</i>	<p>To meet the objective in paragraph 1, the core principle of this [draft] Standard is that a transfer provider shall recognize expenses as follows:</p> <p>(a) For transfer expenses from transactions without binding arrangements (hereafter referred to as transfer expenses without binding arrangements), at the point at which it transfers resources to the transfer recipient; and</p> <p>(b) For transfer expenses from transactions with binding arrangements (hereafter referred to as transfer expenses with binding arrangements), when the transfer provider:</p> <p>(i) Has a present obligation to transfer resources to the transfer recipient; or</p>	Agenda Item 8.2.3 (Dec 2021)

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
		(ii) Where the transfer provider has previously recognized an asset as a result of transferring resources to the transfer recipient prior to the transfer recipient fulfilling its obligations, when the transfer provider loses control of that asset.	
Scope			
Scope and scope exclusions	ED 72.3	An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this [draft] Standard in accounting for transfer expenses as defined in this [draft] Standard, including transfer expenses incurred for capital transfers. Transactions which result in the entity receiving goods, services or other assets directly in return for the resources the entity transfers to the counterparty do not satisfy the definition of a transfer expense and are outside the scope of this [draft] Standard.	21.09-F
	ED 72.4	An entity shall also apply this [draft] Standard in accounting for the subsequent measurement of other non-contractual payables, except where the subsequent measurement of the payable is within the scope of another Standard. This [draft] Standard does not apply to the recognition and initial measurement of other non-contractual payables.	21.09-F
	ED 72.5	<p>This [draft] Standard does not apply to:</p> <ul style="list-style-type: none"> (a) Operating leases as defined in IPSAS 13, <i>Leases</i>; (b) Provisions as defined in IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i>; (c) Collective services and individual services as defined in IPSAS 19; Service concession arrangements as defined in IPSAS 32, <i>Service Concession Arrangements: Grantor</i>; (d) Employee benefits as defined in IPSAS 39, <i>Employee Benefits</i>; (e) Concessionary loans as defined in IPSAS 41, <i>Financial Instruments</i>; (f) Social benefits as defined in IPSAS 42, <i>Social Benefits</i>; Contributions from, and distributions to, owners; (g) Insurance contracts (see the international or national accounting standard dealing with insurance contracts); and (h) Share-based payments (see the international or national accounting standard dealing with share-based payments). 	21.09-F

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
	ED 72.6	<p>Contributions from owners and distributions to owners are defined in IPSAS 1, <i>Presentation of Financial Statements</i>. Contributions from owners and distributions to owners do not meet the definition of a transfer expense, for the following reasons:</p> <p>(a) Contributions from owners establish a controlling entity's or an investor's financial interest in the net assets/equity of the controlled entity or investee. This financial interest is recognized as an asset in the controlling entity's or the investor's separate financial statements, and therefore does not satisfy the definition of a transfer expense, which requires that the transfer provider provides a good or service to another entity without directly receiving any good or service in return.</p> <p>(b) Distributions to owners are future economic benefits or service potential distributed by the entity to all or some of its owners, either as a return on investment or as a return of investment. Distributions to owners are transfers in response to earlier investments by owners, and therefore do not satisfy the definition of a transfer expense, which requires that the transfer provider provides a good or service to another entity without directly receiving any good or service in return.</p> <p>Consequently, contributions from owners and distributions to owners are outside the scope of this [draft] Standard. An entity shall account for contributions from owners and distributions to owners in accordance with IPSAS 1.</p>	21.09-F
	ED 72.7	<p>A binding arrangement may be partially within the scope of this [draft] Standard and partially within the scope of other Standards.</p> <p>(a) If the other Standards specify how to separate and/or initially measure one or more parts of the binding arrangement, then an entity shall first apply the separation and/or measurement requirements in those Standards. An entity shall exclude from the transaction consideration or other transfer of resources the amount of the part (or parts) of the binding arrangement that are initially measured in accordance with other Standards and shall apply paragraphs 72–85 (transfer expenses with performance obligations) or paragraphs 102–114 (transfer expenses without performance obligations) to account for the amount of the transaction consideration or other transfer of resources that remains (if any).</p> <p>(b) If the other Standards do not specify how to separate and/or initially measure one or more parts of the binding arrangement, then the entity shall apply this [draft] Standard to separate and/or initially measure the part (or parts) of the binding arrangement.</p> <p>Paragraphs AG4–AG5 provide additional guidance on the scope of this Standard.</p>	

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
		[STAFF NOTE: Cross references and related wording subject to later IPSASB decisions on the accounting model(s) to be applied to transfer expenses, to be discussed in December.]	
Definitions			
Various definitions	ED 72.8	<p>The following terms are used in this [draft] Standard with the meanings specified:</p> <p>Stand-alone purchase price (of a good or service) is the price at which a transfer provider would purchase a promised good or service separately from a transfer recipient.</p> <p>[Subject to IPSASB decisions on the accounting model(s) to be adopted, to be discussed in December.]</p> <p>The transaction consideration (for a binding arrangement which imposes one or more performance obligations on a transfer recipient) is the amount of consideration to which the transfer provider expects to be obligated to pay in exchange for the transfer recipient transferring promised goods or services to a third-party beneficiary.</p> <p>[Subject to IPSASB decisions on the accounting model(s) to be adopted, to be discussed in December.]</p> <p>A transfer expense is an expense arising from a transaction, other than taxes, in which an entity provides a good, service, or other asset to another entity (which may be an individual) without directly receiving any good, service, or other asset in return (paragraphs AG6–AG7 provide additional guidance).</p> <p>A transfer provider's binding arrangement asset is a transfer provider's right to have goods or services transferred to a third-party beneficiary in exchange for consideration provided.</p> <p>[Subject to IPSASB decisions on the accounting model(s) to be adopted, to be discussed in December.]</p> <p>A transfer provider's binding arrangement liability is a transfer provider's obligation to pay consideration in exchange for goods or services that the transfer recipient has transferred to a third-party beneficiary when that obligation is conditioned on something other than the passage of time (for example, the transfer recipient's future performance).</p> <p>[Subject to IPSASB decisions on the accounting model(s) to be adopted, to be discussed in December.]</p>	21.09-F
	ED 70.7, Board decision	For the purposes of this Standard, a binding arrangement is an arrangement that confers both rights and obligations, enforceable through legal or equivalent means, on the parties to the arrangement. A contract is a type of binding arrangement (paragraphs AG9-AG12 provide additional guidance).	21.04-B 21.04-C, 21.06-B

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
		<p>A <u>contract</u> is an agreement between two or more parties that creates enforceable rights and obligations.</p> <p><u>Control of an asset</u> is the ability to direct the use of and obtain substantially all of the remaining economic benefits or service potential from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the economic benefits or service potential from, the asset.</p> <p>A <u>performance obligation</u> is a promise in a binding arrangement with a purchaser to transfer to the purchaser or third-party beneficiary either:</p> <p>(a) A good or service (or a bundle of goods or services) that is distinct; or</p> <p>(b) A series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the purchaser or third-party beneficiary.</p> <p>[Subject to IPSASB decisions on the accounting model(s) to be adopted, to be discussed in December.]</p> <p>A <u>third-party beneficiary</u> is an entity, household or individual who will benefit from a transaction made between two other parties by receiving goods, services or other assets (paragraph AG22 provides additional guidance).</p>	
	ED 71.10	<p>For the purposes of this Standard, a <u>capital transfer</u> is an inflow outflow, that arises from a binding arrangement, of cash or another asset with a specification that the transfer recipient acquires or constructs a non-financial asset that will be controlled by the transfer recipient.</p> <p>[Eligible expenditure definition subject to upcoming IPSASB discussions in December.]</p> <p><u>Fines</u> 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 and/or regulations.</p> <p>[Specified activities definition subject to upcoming IPSASB discussions in December.]</p> <p><u>Taxes</u> 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 laws and/or regulations.</p>	21.06-B

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
		<p>A <u>transfer provider</u> is an entity that provides a good, service or other asset to another entity without directly receiving any good, service or other asset in return.</p> <p>A <u>transfer recipient</u> is an entity that receives a good, service, or other asset from another entity without directly providing any good, service, or other asset to that entity.</p>	
Forms of binding arrangements	ED 72.15, <i>Proposed revenue guidance, Board decision</i>	Binding arrangements can be evidenced in several ways. A binding arrangement can be written, oral or implied by a transfer provider's or a sector's customary practices. The practices and processes for establishing binding arrangements with transfer recipients vary across legal jurisdictions, sectors and entities. In addition, they may vary within a transfer provider (for example, they may depend on the class of transfer recipient or third-party beneficiary, or the nature of the promised goods or services). A transfer provider shall consider those practices and processes in determining whether and when an agreement with a transfer recipient creates enforceable rights and obligations.	21.04-D
Enforceability concept	ED 72.15, <i>Proposed revenue guidance, Board decision</i>	<p>A binding arrangement creates both enforceable rights and obligations on both parties to the arrangement</p> <p>For an arrangement to be binding, it must be enforceable through legal or equivalent means. Factors that determine enforceability may differ between jurisdictions and some enforcement mechanisms may be outside the legal system. Enforceability of a binding arrangement can arise from various mechanisms, so long as the mechanism(s) provide the entity with the ability to enforce the binding arrangement and hold the parties accountable for the satisfaction of stated obligations.</p>	21.04-D 21.04-F Editorials
	ED 71.22, ED 71.24, <i>Proposed revenue guidance, Board decision</i>	In determining whether an arrangement is enforceable, the transfer provider considers the substance rather than the legal form of the arrangement. The assessment of whether an arrangement is enforceable is based on an entity's ability to enforce the satisfaction of the other parties' stated obligations.	21.04-F 21.06-C Editorials
Enforceability concept – appropriations	ED 72.98	<p>Where a A binding arrangement specifies may specify that the resources to be transferred to a transfer recipient by a transfer provider are subject to an appropriation being authorized. ; The transfer provider considers whether, in substance, over form in determining whether the arrangement is enforceable because mechanisms of enforceability enable the transfer recipient to require the transfer provider to transfer the resources or, if the transfer provider fails to do so, enable the transfer recipient to impose consequences on the transfer provider, it has a present obligation to transfer the resources prior to the appropriation being authorized.</p>	21.03-E

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
	<i>ED 72.99</i>	This limitation (that the resources to be transferred are subject to the appropriation being authorized) does not have has substance, and the arrangement is not enforceable and thus not a binding arrangement, where the transfer recipient cannot establish an enforceable right to those resources (and as a consequence the transfer provider has a present obligation to transfer the resources) before the appropriation is authorized. Paragraphs AG98–AG102 provide additional guidance on appropriations.	21.03-E
Interdependent right and obligations concept; At least two-way enforceability	<i>Proposed revenue guidance, Board decision</i>	A binding arrangement includes both rights and obligations that are enforceable for two or more of the involved parties. The entity's enforceable right and obligation within the binding arrangement are interdependent and inseparable. At least one other party involved in the binding arrangement also has an interdependent right and obligation for which they are held accountable.	21.04-A Editorials
At least one present obligation	<i>Proposed revenue guidance, Board decision</i>	A binding arrangement has at least one present obligation because its enforceability holds the entity accountable for fulfilling the stated obligations of the arrangement, and the accountability imposes little or no realistic alternative for the entity to avoid the transfer of resources.	21.04-C 21.04-E 21.06-G Editorials
Wholly unfulfilled binding arrangements	<i>ED 72.17, Proposed revenue guidance</i>	For the purpose of applying this [draft] Standard, an arrangement is not a binding arrangement does not exist if each party to the binding arrangement has the unilateral enforceable right to terminate a wholly unperformed unfulfilled binding arrangement without compensating the other party (or parties). A binding arrangement is wholly unperformed unfulfilled if both of the following criteria are met: <div style="margin-left: 40px;"> (a) The transfer provider has not yet paid, and is not yet obligated to pay, consideration to the transfer recipient in exchange for [promised goods or services to be provided to third-party beneficiaries] [the transfer recipient fulfilling any of its stated obligations in the binding arrangement]; and (b) The transfer recipient has not yet transferred any promised goods or services to a third-party beneficiary fulfilled any of its stated obligations in the binding arrangement. </div>	21.09-I
	<i>ED 72.94</i>	For the purpose of applying this [draft] Standard, where a transfer expense without performance obligations is to be made under a binding arrangement, the transfer expense without performance obligations does not exist if each party to the binding arrangement has the unilateral enforceable right to terminate a wholly unperformed binding arrangement without compensating the other party (or parties). A binding arrangement is wholly unperformed if both of the following criteria are met:	

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
		<p>(a) — The transfer provider has not yet transferred, and is not yet obligated to transfer, any resources to the transfer recipient; and</p> <p>(b) — The transfer recipient has not yet performed any activities that it agreed to perform as part of the binding arrangement.</p>	
Remove references to definitions in other IPSAS to ensure <i>Transfer Expenses IPSAS</i> is freestanding.	ED 72.9	<p>The following terms are defined in [draft] IPSAS [X] (ED 70), <i>Revenue with Performance Obligations</i>, and are used in this [draft] Standard with the same meaning as in [draft] IPSAS X (ED 70):</p> <p>(a) — Binding arrangement;</p> <p>(b) — Contract;</p> <p>(c) — Control of an asset;</p> <p>(d) — Performance obligation; and</p> <p>(e) — Third-party beneficiary.</p> <p>Paragraphs AG9–AG14 provide additional guidance on binding arrangements. Paragraphs AG15–AG23 provide additional guidance on the enforceability of binding arrangements.</p> <p>The following terms are defined in [draft] IPSAS [X] (ED 71), <i>Revenue without Performance Obligations</i>, and are used in this [draft] Standard with the same meaning as in [draft] IPSAS X (ED 71):</p> <p>(f) — Capital Transfer;</p> <p>(g) — Eligible expenditure;</p> <p>(h) — Specified activity;</p> <p>(i) — Fines;</p> <p>(j) — Taxes;</p> <p>(k) — Transfer provider; and</p> <p>(l) — Transfer recipient.</p> <p>Paragraph AG8 provides additional guidance on the transfer recipient.</p> <p>Expenses are defined in IPSAS 1.</p> <p>Terms defined in other IPSAS are used in this [draft] Standard with the same meaning as in those Standards, and are reproduced in the Glossary of Defined Terms published separately.</p>	21.06-B

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
Further guidance	ED 72.13	Paragraphs AG26 and AG27 provide additional guidance on binding arrangements.	
Transfer Expenses			
Sign-posting; Cost of transfer expenses	Proposed guidance	Pending decision in December 2021	21.09-D 21.09-I 21.09-P Agenda Items 8.2.2 and 8.2.4 (Dec 2021)
Transfer Expenses without Binding Arrangements			
Recognition of transfer expenses without binding arrangements	ED 72.90	<p>A transfer provider shall recognize and measure transfer expenses [without performance obligations] [without a binding arrangement] in accordance with paragraphs 91–119 below. [Transfer expenses without performance obligations may arise:</p> <p>(a) Where the transfer provider incurs expenses in accordance with a binding arrangement it has entered into with a transfer recipient, and the binding arrangement imposes present obligations other than performance obligations on the transfer recipient; or</p> <p>(b) Where the transfer provider incurs expenses without the existence of a binding arrangement.</p> <p>[Draft] IPSAS [X] (ED 71) provides guidance on present obligations other than performance obligations.]</p>	21.09-I Agenda Item 8.2.2 (Dec 2021)
	ED 72.91	<p>Recognition</p> <p>A transfer provider shall recognize a transfer expense [without performance obligations] [arising outside a binding arrangement] [at the earlier of the following dates:</p> <p>(a) When the transfer provider has a present obligation to transfer resources to a transfer recipient. In such cases, the transfer provider shall recognize a liability representing its obligation to transfer the resources; and</p> <p>(b) W] [w]hen the transfer provider ceases to control the resources; this will usually be the date at which it transfers the resources to the transfer recipient. In such cases, the transfer provider derecognizes the resources it ceases to control in accordance with other Standards.</p>	21.09-I Agenda Item 8.2.2 (Dec 2021)

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
	ED 72.92-93	[Probable deletion, subject to IPSASB decisions on the accounting model(s) to be adopted, to be discussed in December.]	21.09-I Agenda Item 8.2.2 (Dec 2021)
	ED 72.95	<i>Debt Forgiveness</i> A transfer provider may waive its right to collect a debt owed by a transfer recipient, effectively canceling the debt. The transfer provider shall recognize an expense at the date that it derecognizes (in accordance with IPSAS 41) the financial asset, or portion of the financial asset, that it has waived its right to collect.	
	ED 72.96	Where a transfer provider is a controlling entity and the transfer provider forgives debt owed by a wholly-owned controlled entity, or assumes its liabilities, the transaction may be a contribution from owners, as described in paragraph 6. In accordance with paragraph 6, contributions from owners are outside the scope of this [draft] Standard.	
	ED 72.97-101	[Probable deletion, subject to IPSASB decisions on the accounting model(s) to be adopted, to be discussed in December.]	21.09-I Agenda Item 8.2.2 (Dec 2021)
Measurement of transfer expenses without binding arrangements	ED 72.102	<i>Initial Measurement</i> [Where a transfer provider recognizes an expense at the date it transfers the resources to the transfer recipient, the] [A] transfer provider shall measure the expense at the carrying amount of the resources transferred [at the date at which the transfer provider ceases to control the resources].	
	ED 72.103	Where a transfer provider recognizes an expense prior to transferring the resources to the transfer recipient, it shall measure the expense and liability at the best estimate of the costs that the transfer provider will incur in settling the liability. The costs that the transfer provider will incur in settling the liability may include fixed costs, variable costs, or both.	
	ED 72.104-113	[Probable deletion, subject to IPSASB decisions on the accounting model(s) to be adopted, to be discussed in December.]	21.09-I Agenda Item

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
			8.2.2 (Dec 2021)
	ED 72.114	Non-Cash Transfers Where the resources transferred are non-cash assets, a transfer provider does not revalue the assets prior to derecognizing those assets.	
	ED 72.115	Debt Forgiveness Where a transfer provider forgives debt of a transfer recipient, the expense is measured at the carrying amount of the debt forgiven, in accordance with IPSAS 41.	
	ED 72.116	Subsequent Measurement Where the liability for a transfer expense without performance obligations is a financial liability as defined in IPSAS 41, the transfer provider shall account for the liability in accordance with IPSAS 41.	
	ED 72.117	Where the liability for a transfer expense without performance obligations is not a financial liability as defined in IPSAS 41, the liability shall be reduced as the transfer provider transfers resources to the transfer recipient. Any difference between the carrying amount of the resources transferred and the carrying amount of that liability is recognized in surplus or deficit in the period in which the liability is settled.	
	ED 72.118-119	[Probable deletion, subject to IPSASB decisions on the accounting model(s) to be adopted, to be discussed in December.]	21.09-I Agenda Item 8.2.2 (Dec 2021)
Remove subsequent measurement of non-contractual payables	ED 72.120	Subsequent Measurement of Other Non-Contractual Payables Where a transfer provider has recognized a payable arising out of the operation of legislation or regulation that does not meet the definition of a transfer expense in paragraph 8, a transfer provider applies the principles in paragraphs 116–119 to the measurement of that payable after initial recognition, except where the payable is within the scope of another Standard, in which case the transfer provider shall apply the measurement requirements in that Standard.	21.09-F

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
Transfer Expenses with Binding Arrangements [STAFF NOTE: Distinction subject to IPSASB decisions on distinction between transfer expenses with and without performance obligations (see Agenda Item 4.2.5)]			
Recognition and measurement	ED 72. 10-89	[Subject to IPSASB decision regarding the accounting model(s) to be adopted, to be discussed in December.]	Agenda Item 8.2.3
Executory contract principle – no item is recognized where an arrangement is wholly unperformed	<i>Proposed guidance on wholly unperformed binding arrangements</i>	<p>When a binding arrangement is wholly unperformed, a transfer provider shall not recognize any asset, liability or expense associated with the binding arrangement, unless the binding arrangement is onerous. A binding arrangement is wholly unperformed if both of the following conditions are met:</p> <p>(a) The transfer provider has not yet paid, and is not yet obligated to pay, consideration to the transfer recipient in exchange for the transfer recipient fulfilling any of its stated obligations in the binding arrangement; and</p> <p>(b) The transfer recipient has not yet fulfilled any of its stated obligations in the binding arrangement.</p> <p>[Subject to IPSASB decision regarding the accounting model(s) to be adopted, to be discussed in December.]</p>	21.04-A
Presentation			
Transfer expenses with / without binding arrangements	ED 72. 121-126	[Subject to IPSASB decision regarding the accounting model(s) to be adopted, to be discussed in December.]	Agenda Item 8.2.3
Disclosure			
Transfer expenses with / without binding arrangements	ED 72. 127-153	[Subject to IPSASB decision regarding the accounting model(s) to be adopted, to be discussed in December.]	Agenda Item 8.2.3
Effective Date and Transition			
Effective date	ED 72. 154	<p>Effective Date</p> <p>A transfer provider shall apply this [draft] Standard for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier adoption is encouraged. If a transfer provider applies this [draft] Standard for a period beginning before January 1, [Year], it shall disclose that fact and shall apply [draft] IPSAS [X] (ED 70) and [draft] IPSAS [X] (ED 71) at the same time.</p>	

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
	ED 72.155	When a transfer provider adopts the accrual basis IPSAS of accounting as defined in IPSAS 33, <i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i> for financial reporting purposes subsequent to this effective date, this [draft] Standard applies to the transfer provider's annual financial statements covering periods beginning on or after the date of adoption of IPSAS.	
Transition	ED 72.156-166	[Subject to IPSASB decision regarding the accounting model(s) to be adopted, to be discussed in December.]	

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
Application Guidance			
Introduction / signposting	ED 72.AG1	[Subject to IPSASB decision regarding the accounting model(s) to be adopted, to be discussed in December.]	
Objective			
Application of Standard	ED 72.AG2; <i>Proposed guidance</i>	A transfer provider shall consider the terms of the transfer, and all relevant facts and circumstances, when applying this [draft] Standard. A transfer provider shall apply this [draft] Standard, including the use of any practical expedients, consistently to transfers with similar characteristics and in similar circumstances.	Agenda Item 8.2.3 (December 2021)
	ED 72.AG3; <i>Proposed guidance</i>	This [draft] Standard specifies the accounting for an individual transfer. However, as a practical expedient, a transfer provider may apply this [draft] Standard to a portfolio of transfers with similar characteristics if the transfer provider reasonably expects that the effects on the financial statements of applying this [draft] Standard to the portfolio would not differ materially from applying this [draft] Standard to the individual transfers within that portfolio. Transfers without binding arrangements and transfers with binding arrangements do not have similar characteristics and are not accounted for in the same portfolio. When accounting for a portfolio, a transfer provider shall use estimates and assumptions that reflect the size and composition of the portfolio.	Agenda Item 8.2.3 (December 2021)
Scope			
Scope of Transfer Expenses IPSAS	ED 72.AG4	The scope of this [draft] Standard is focused on establishing principles and requirements when accounting for transfer expenses, where a transfer provider provides a good or service to another entity without directly receiving any good or service in return. The definitions of “binding arrangement”, “performance obligation”, “third-party beneficiary”, “transfer expense”, “transfer provider” and “transfer recipient” in paragraph 8, or in other Standards as explained in paragraph 9, establish the key elements in applying the scope of the [draft] Standard.	21.06-B

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
	ED 72.AG5	This [draft] Standard does not address transactions where an entity receives any good or service in return for the good or service that it transfers to another party. Such transactions are accounted for in accordance with other Standards.	
Additional guidance on distinguishing transfer expenses from collective and individual services; and from social benefits.	Board decisions	<p><i>Comparison with Collective and Individual Services</i></p> <p>IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i>, states that no provision is recognized for collective or individual services before those services are delivered. IPSAS 19 does not address the accounting for the delivery of collective or individual services.</p> <p>Where the delivery of a collective or individual service satisfies the definition of a transfer expense, an entity applies this [draft] Standard in accounting for the delivery of that service. For example, a Health Ministry provides an ambulance service free of charge to its citizens. The Ministry provides this service by entering into binding arrangements with private companies to deliver the service. In accordance with IPSAS 19, no provision is recognized for the promise to the citizens to deliver the ambulance service. The binding arrangements with the private companies require the Ministry to transfer resources to the companies to deliver the service to third party beneficiaries, without directly receiving any good, service, or asset in return. The binding arrangements are transfer expenses and are accounted for in accordance with this [draft] Standard.</p> <p><i>Comparison with Social Benefits</i></p> <p>IPSAS 42, <i>Social Benefits</i>, defines social benefits as “cash transfers provided to:</p> <ul style="list-style-type: none"> (a) Specific individuals and/or households who meet eligibility criteria; (b) Mitigate the effect of social risks; and (c) Address the needs of society as a whole.” <p>Cash payments made to a recipient that is not a specific individual or household will not meet the definition of a social benefit, except where the recipient is acting as an agent for the entity making the cash payment:</p> <ul style="list-style-type: none"> (a) The recipient may be acting as an agent where it is required to transfer the cash payment to specific individuals or households. For example, a government may establish a furlough scheme to avoid a large number of redundancies occurring as a result of restrictions put in place following a pandemic. Payments made under the furlough scheme are made to employers in respect of employees who 	21.09-F

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
		<p>would otherwise be made redundant, with a requirement that these payments are passed on to the employees. The employer is acting as an agent of the government, as they have no discretion as to the use of the funds. Consequently, the government accounts for the payments as the principal. The furlough scheme meets the definition of a social benefit, as cash payments are made to specific individuals and/or households who meet eligibility criteria (those who would otherwise have been made redundant); are made to mitigate the effect of a social risk (unemployment); and address the needs of society as a whole. Consequently, the government accounts for the furlough scheme as a social benefit in accordance with IPSAS 42.</p> <p>(b) Alternatively, the recipient may not be acting as an agent for the entity making the cash payment. Taking the example in paragraph (a) above, if the employer has discretion as to how the cash payments are to be used, the employer is acting as a principal. Consequently, the furlough scheme will not satisfy the definition of a social benefit, as the payments are not made to specific individuals or households. The government considers whether the furlough scheme satisfies the definition of a transfer expense (i.e., whether the government makes the cash payments without directly receiving any good, service, or asset in return). If the payments under the furlough scheme meet the definition of transfer expenses, the government applies this [draft] Standard in accounting for the furlough scheme.</p> <p>Cash payments that do not mitigate the effect of social risks do not meet the definition of a social benefit. IPSAS 42 cites the example of payments made in respect of damage caused by an earthquake. Where a scheme for cash payments does not satisfy the definition of a social benefit because the scheme does not mitigate the effect of social risks, an entity considers whether payments under the scheme satisfy the definition of a transfer expense (i.e., whether the entity makes the cash payments without directly receiving any good, service, or asset in return). If the cash payments meet the definition of transfer expenses, the government applies this [draft] Standard in accounting for the cash payments.</p> <p>IPSAS 42 notes that social benefits are organized to ensure that the needs of society as a whole are addressed. This distinguishes them from benefits provided through insurance contracts, which are organized for the benefit of individuals, or groups of individuals. Where a scheme for cash payments does not satisfy the definition of a social benefit because the scheme does not address society as a whole, an entity considers whether payments under the scheme satisfy the definition of a transfer expense (i.e., whether the</p>	

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
		entity makes the cash payments without directly receiving any good, service, or asset in return). If the cash payments meet the definition of transfer expenses, the government applies this [draft] Standard in accounting for the cash payments. If the entity directly receives goods, services, or assets (e.g., cash) in return, the entity considers whether the scheme is an insurance scheme. If so, the entity accounts for the scheme in accordance with the international or national Standard dealing with insurance.	
Definition – Transfer Expense			
Transfer expense definition	ED 72.AG6	<p><i>Transfer Expense</i></p> <p>This [draft] Standard defines a transfer expense as an expense arising from a transaction, other than taxes, in which an entity (the transfer provider) provides a good or service to another entity (the transfer recipient, which may be a public sector entity, a not-for-profit organization, an individual or another entity) without directly receiving any good or service in return. For the purposes of determining whether the entity has received a good or service, a transfer provider's binding arrangement asset is not considered to be an asset received by the transfer provider. This is because a transfer provider's binding arrangement asset is the right to have a good or service transferred to a third-party beneficiary. This is a temporary asset that will be derecognized as the transfer recipient fulfils its performance obligations.</p> <p>[STAFF NOTE: subject to later IPSASB decisions on the accounting model(s) to be applied, to be discussed in December.]</p>	21.09-F
	ED 72.AG7	<p>In a transaction giving rise to a transfer expense, the transfer provider provides goods or services to a transfer recipient. Consequently, the transfer provider controls the goods or services prior to the transfer and is therefore acting as a principal. The accounting for a transfer expense by a transfer provider is the same whether the transfer provider transacts directly with the transfer recipient, or through an agent. Paragraph AG22 explains that a transfer recipient in a three-party transaction is not an agent, because it gains control of the goods or services transferred by the transfer provider, and is responsible for satisfying the performance obligations specified in the binding arrangement (i.e., for delivering different goods or services to third-party beneficiaries).</p> <p>[STAFF NOTE: subject to later IPSASB decisions on the accounting model(s) to be applied, to be discussed in December.]</p>	

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
Various Definitions			
Various definitions	ED 72.AG8	<p>Transfer Recipient</p> <p>A transfer recipient is defined in [draft] IPSAS [X] (ED 71), Revenue without Performance Obligations. A transfer recipient is an entity (which may be a public sector entity, a not-for-profit organization, an individual or another entity) that receives a good or service from another entity without directly providing any good or service to that entity. While the transfer recipient does not provide any good or service to the transfer provider, it may provide a good or service to a third-party beneficiary in accordance with a binding arrangement between the transfer recipient and the transfer provider.</p>	21.06-B
	ED 71.AG25	<p>Eligible Expenditure</p> <p>This [draft] Standard defines eligible expenditure as an outflow of resources by a transfer recipient incurred in accordance with the requirements set out in a binding arrangement. A transfer that arises from a binding arrangement may be provided with the requirement that the transfer recipient use the resources in furthering the transfer recipient's transfer provider's objectives, but the requirement does not meet the requirements to be classified as a performance obligation as defined in [draft] IPSAS [X] (ED 70) or as a specified activity. For example, funding may be provided to a university to employ a marketing manager to promote the university's courses to overseas students. The binding arrangement specifies that the funding is to be spent on promoting the university overseas and that the marketing manager's salary, travel expenses and any promotional materials used would all be classified as eligible expenditures. Revenue would be recognized as these eligible expenditures are incurred.</p> <p>[Eligible expenditure definition and guidance subject to upcoming IPSASB discussions in December.]</p>	21.06-B
	ED 71.AG26	<p>The transfer provider needs to be able to confirm that all expenditure incurred was eligible and therefore should require the transfer recipient needs to keep appropriate documentation to show that the expenditure was incurred by the transfer recipient and for the purpose intended.</p> <p>[Eligible expenditure definition and guidance subject to upcoming IPSASB discussions in December.]</p>	21.06-B
	ED 71.AG27	<p>Specified Activity</p> <p>This [draft] Standard defines a specified activity as an action specified in a binding arrangement that must be completed by a transfer recipient. A specified activity differs from a performance obligation because there is</p>	21.06-B

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
		<p>no requirement to transfer any good or service to the transfer provider or a third-party beneficiary. For example, a transfer provider provides funding to a government science agency (transfer recipient) to conduct research and development into a plant-based meat substitute. Any intellectual property developed by the government science agency remains the property of that agency. The funding is provided on the basis of a detailed project plan (with the individual stages of research and development identified) provided by the government science agency and the transfer provider requires the government science agency to report back at each stage. Each of these stages constitutes a specified activity and revenue an expense would be recognized when (or as) they are completed and for the amount incurred in completing that specified action.</p> <p>[Specified activity definition and guidance subject to upcoming IPSASB discussions in December.]</p>	
Definition – Binding arrangement			
Binding arrangement definition	ED 72.AG9, <i>Proposed revenue guidance</i>	<p>A binding arrangement, which is defined in [draft] IPSAS [X] (ED 70), Revenue with Performance Obligations. The [draft] Standard relies on the definition of a binding arrangement, being an arrangement that confers both enforceable rights and obligations on both two or more parties to the arrangement. In the public sector an arrangement is enforceable when all the parties the transfer provider and the transfer recipient are both able to enforce their respective rights and obligations through legal or equivalent means.</p>	21.04-B Editorials
Forms of binding arrangements	ED 72.AG13	<p>Binding arrangements can be evidenced in several ways. A binding arrangement is often, but not always, in writing, in the form of a contract or documented discussions between the parties. The binding arrangement may arise from legal contracts or through other equivalent means such as statutory mechanisms (for example, through legislative or executive authority and/or cabinet or ministerial directives). Legislative or executive authority can create enforceable arrangements, similar to contractual arrangements, either on their own or in conjunction with legal contracts between the parties.</p>	
Definition – Enforceability			
Enforceability concept	ED 72.AG14, <i>Proposed revenue guidance,</i> <i>Board decision</i>	<p>To be considered a binding arrangement for the purposes of this [draft] Standard, the The interdependent rights and obligations in these a binding arrangements must be enforceable by legal or equivalent means (discussed further in paragraphs AG15–AG23). Enforceability of a binding arrangement can arise from various mechanisms, so long as the mechanism(s) provide the entity with the ability to enforce the binding arrangement and hold the involved parties accountable for the satisfaction of stated obligations. An entity</p>	21.04-A 21.06-C 21.06-E

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
		should determine whether an arrangement is enforceable based on whether the entity has the ability to enforce. The entity's assessment of enforceability of a binding arrangement occurs at inception and when a significant external change indicates that there may be a change in the enforceability of that binding arrangement.	Editorials
	ED 72.AG10, ED 72.AG11, Proposed revenue guidance, Board decision	There are Since binding arrangements and enforcement of such arrangements can arise from various mechanisms, an entity should objectively assess all relevant factors at the transaction date to determine whether an arrangement is enforceable. In some jurisdictions, where public sector entities cannot enter into legal obligations, because they are not permitted to contract in their own name, but where there are alternative processes with equivalent effect to legal arrangements (described as enforceable through equivalent means). For an arrangement to be enforceable through 'equivalent means', the presence of an enforcement mechanism outside the legal systems, that is similar to the force of law without being legal in nature, is required to establish the right of the transfer provider to obligate the transfer recipient to complete the agreed obligation or be subject to remedies for non-completion. Similarly, a mechanism outside the legal system, that is similar to the force of law without being legal in nature, is required to establish the right of the transfer recipient to obligate the transfer provider to pay the agreed consideration. Thus, an entity should identify and assess all relevant factors by considering legal or equivalent means by which the involved parties enforce each of the respective rights and obligations under the binding arrangement.	21.04-B 21.06-F Editorials
	EG 72.AG12, Board decision	A transfer provider considers the substance rather than the legal form of an arrangement in determining whether it is an enforceable binding arrangement. In the public sector, an arrangement is enforceable when each of the involved parties is able to enforce their respective rights and obligations through various mechanisms. An arrangement is enforceable by another party through legal or equivalent means if the agreement includes: (c) Distinct rights and obligations for both the transfer provider and the transfer recipient each involved party; and (d) Remedies for non-performance non-completion by either party which can be enforced by the other party through legal or equivalent means through the identified enforcement mechanisms.	21.04-B
	ED 72.AG15	A key characteristic of a binding arrangement is the ability of both parties each party to enforce the rights and obligations of the arrangement. That is, the entity receiving the consideration (the transfer recipient) must be	

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
		able to enforce the promise to receive funding (consideration). Similarly, the entity providing the funding (the transfer provider) must be able to enforce fulfillment of the obligations assumed by the transfer recipient.	
	<i>Board decision</i>	When an entity assesses the enforceability of a binding arrangement, the entity should consider how the identified mechanisms of enforceability impose implicit or explicit consequences on any party or parties that do not fulfill their agreed-upon obligation(s) in the binding arrangement. If the entity is not able to determine how the mechanisms of enforceability identified at inception would in substance enable the entity to hold the other involved parties accountable for fulfilling their stated obligation(s) in cases of non-completion, then the arrangement is not enforceable and does not meet the definition of a binding arrangement.	21.06-D Editorials
	<i>ED 72.AG16,</i> <i>Proposed revenue guidance,</i> <i>Board decision</i>	Legal Enforceability arises from the compulsion by a legal system, comprising including through legal means (enforced in the courts in a jurisdiction, as well as judicial rulings and case law precedence to comply with the terms of the binding arrangement) or compliance with a binding arrangement is determined based on the principles set out in the laws of a jurisdiction, which through equivalent means (laws and regulations, includes including legislation, executive authority, cabinet or ministerial directives, as well as judicial rulings and case law precedence).	21.06-F
	<i>ED 72.AG17,</i> <i>Proposed revenue guidance</i>	Executive authority (sometimes called an executive order) is an authority given to a member or selected members of a government administration to create legislation without ratification by the full parliament. This may be considered a valid enforcement mechanism if such an order was issued directing a transfer recipient to transfer the promised goods or services to a third-party beneficiary, or directing a transfer provider to transfer the promised consideration an entity to fulfill the agreed-upon obligations in the arrangement.	
	<i>ED 72.AG19,</i> <i>Proposed revenue guidance,</i> <i>Board decision</i>	Other forms of enforceability by 'equivalent means' may also exist in the public sector and may be jurisdictionally specific. Cabinet and ministerial directives may create an enforcement mechanism between different government departments or different levels of government of the same government structure. For example, a directive given by a minister or government department to a transfer recipient an entity controlled by the government to transfer goods or services to third-party beneficiaries fulfill the agreed-upon obligations in the arrangement may be enforceable. Similarly, a directive given by a minister or government department to a transfer provider controlled by the government to transfer the promised consideration may be enforceable. The key determining factor is that each party must be able to enforce the promises made in the	21.06-D

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
		binding arrangement. Each party must have the ability and authority to compel the other party or parties to fulfil the promises established within the arrangement or to seek redress should those promises not be fulfilled.	
	ED 72.AG18, <i>Proposed revenue guidance</i>	Sovereign rights are the authority to make, amend and repeal legal provisions. On its own, this authority does not establish enforceable rights and obligations for the purposes of applying this draft Standard. However, if the use of sovereign rights were detailed in the binding arrangement as a means of enforcing the satisfaction of performance agreed-upon obligations by an entity this may result in a valid enforcement mechanism.	
	ED 72.AG20	A transfer recipient may feel compelled to deliver on the obligations in a binding arrangement because of the risk that it might not receive future funding from the transfer provider. In general, the transfer provider's ability to reduce or withhold future funding to which the transfer recipient is not presently entitled would not be considered a valid enforcement mechanism in the context of this draft Standard because there is no present obligation on the transfer provider to provide such funding. However, if the transfer recipient is presently entitled to funding in the future through another binding arrangement, and the terms of this other binding arrangement specifically allow for a reduction in funding if other binding arrangements are breached, then the potential reduction in funding could be considered a valid enforcement mechanism.	
	ED 72.AG21	When determining if a reduction of future funding would be an enforcement mechanism, the transfer provider shall apply judgment based on the facts and circumstances.	
	ED 72.AG23	A statement of intent or public announcement by a transfer provider such as a government promise to spend money or deliver goods and services in a certain way is not, in and of itself, an enforceable arrangement for the purposes of this draft Standard. Such a declaration is general in nature and does not create a binding arrangement between a transfer provider and a transfer recipient under which both parties have rights and obligations. A transfer provider considers whether such a public announcement gives rise to a non-legally binding (constructive) obligation in accordance with IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i> .	

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
<p>Enforceability concept – appropriations</p> <p>[Subject to IPSASB decision regarding the accounting model(s) to be adopted, to be discussed in December.]</p>	<p><i>Proposed revenue guidance,</i></p> <p><i>Board decision</i></p>	<p>In some jurisdictions, appropriations may be included in arrangements as an explicit term or condition (either in writing, orally, or implied through customary practices). Appropriations may come in different forms and vary by jurisdiction, for example as capped funding amounts, or as a tool to rescind funding at the discretion of the transfer provider (which would be similar in substance to a unilateral termination clause without penalty). Appropriations on their own do not prove nor refute the existence of enforceability within an arrangement. An entity should consider any appropriation clauses as one of the relevant factors in its overall assessment of enforceability, in the context of their specific jurisdiction and the unique terms and conditions of each arrangement.</p>	21.03-E
	ED 72.AG98	<p>An appropriation is defined in IPSAS 24, <i>Presentation of Budget Information in Financial Statements</i>, as an authorization granted by a legislative body to allocate funds for purposes specified by the legislature or similar authority. In some jurisdictions, a transaction arising from a binding arrangement for a transfer expense without performance obligations may specify that any future transfer is subject to the appropriation being authorized.</p>	21.03-E
	ED 72.AG99	<p>In accordance with paragraphs 98-99, a transfer provider may be prohibited from transferring the promised resources until the appropriation is authorized. In such circumstances, the transfer provider considers whether, in substance, the arrangement is enforceable because mechanisms of enforceability enable the transfer recipient to require the transfer provider to transfer the resources or, if the transfer provider fails to do so, enable the transfer recipient to impose consequences on the transfer provider, over form in determining whether it has a present obligation to transfer the resources prior to the appropriation being authorized.</p>	21.03-E
	ED 72.AG100	<p>In some jurisdictions, the authorization for a transfer of resources may go through a multiple step process. For example:</p> <ul style="list-style-type: none"> (a) The enabling authority to provide a transfer is in place, which is conveyed through approved legislation, regulations or by-laws of a transfer provider; (b) The exercise of that authority has occurred. In essence, the transfer provider has taken a decision under the approved enabling authority that clearly demonstrates that a transfer recipient has an enforceable right to the transfer of the promised resources, and consequently 	21.03-E

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
		the transfer provider has lost its discretion to avoid proceeding with the transfer, for example through entering into a binding arrangement; and (c) The authority to pay is evidenced by the authorization of an appropriation.	
	ED 72.AG101	The enabling authority, together with the exercise of that authority, may be sufficient for a transfer provider to conclude that the transfer recipient has an enforceable right to those resources in the arrangement that enables the transfer recipient to require the transfer provider to transfer the resources or, if the transfer provider fails to do so, enable the transfer recipient to impose consequences on the transfer provider, and that the transfer provider consequently has a present obligation to transfer the resources, prior to the authorization of the appropriation. In such circumstances, the limitation (that the future transfer is subject to the appropriation being authorized) does not have substance, and the transfer provider recognizes a liability and an expense for future transfers prior to the appropriation being authorized.	21.03-E
	ED 72.AG102	In other cases, the authorization of the appropriation may determine when a transfer provider has lost its discretion to avoid proceeding with a transfer. In such circumstances, the limitation (that the future transfer is subject to the appropriation being authorized) has substance, and the transfer provider shall not recognize a liability and an expense for the transfer prior to the appropriation being authorized.	21.03-E
At least two-way enforceability	Proposed revenue guidance, Board decision	Arrangements in the public sector often include two or more parties. For the arrangement to meet the definition of a binding arrangement for the purposes of this Standard, at least two of the parties to the arrangement must have their own rights and obligations conferred by the arrangement, and the ability to enforce these rights and obligations.	21.04-B Editorials

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
	<p><i>Proposed revenue guidance,</i></p> <p><i>Board decision</i></p>	<p>That is, at a minimum, the transfer provider must be able to enforce fulfillment of the obligations assumed by the entity receiving the consideration, and the entity receiving the consideration (transfer recipient) must be able to enforce the promise to receive funding (consideration). The minimum two-way enforceability in a binding arrangement is illustrated in the diagram below:</p>	21.04-B
	<p><i>ED 72.AG22,</i></p> <p><i>Board decision</i></p> <p>[Subject to IPSASB decision regarding the accounting model(s) to be adopted, to be discussed in December.]</p>	<p>For the purposes of this [draft] Standard, transfer expenses with performance obligations involve three-party arrangements—transfer provider (the reporting entity in this [draft] Standard), transfer recipient and third-party beneficiaries. The t Parties noted within a binding arrangement that do not have enforceable rights and obligations are third-party beneficiaries. Third-party beneficiaries in three multi-party binding arrangements do not have any rights to force the transfer recipient to deliver goods and services because they are not parties to the binding arrangement. However, for these three multi-party arrangements to be classified as transfer expenses with performance obligations, the transfer provider must have the ability to force the transfer recipient to deliver goods and services to the third-party beneficiaries. In these three multi-party arrangements the transfer recipient is not an agent of the transfer provider because the transfer recipient gains control of the consideration from the transfer provider and is responsible for providing goods or services to the third-party beneficiaries. This relationship is illustrated in the following diagram.</p>	21.03-E Editorials

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
		<pre> graph TD subgraph BA [Binding Arrangement] direction TB NG[National government (Transfer provider – Reporting entity)] SGHSE[State government health services entity (Transfer recipient)] NG --> SGHSE end BA --> CB[Citizens receiving vaccine (Third-party beneficiaries)] </pre>	
Transfer Expenses without Binding Arrangements [STAFF NOTE: Subject to IPSASB decision regarding the accounting model(s) to be adopted, to be discussed in December.]			
Introduction	ED 72.AG90	<p>This [draft] Standard applies the principles in the <i>Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities</i> (the <i>Conceptual Framework</i>) to transfer expenses [without performance obligations] [without a binding arrangement]. Where the transfer recipient of a transfer expense [without performance obligations] [without a binding arrangement] is a public sector entity, the transfer recipient will account for the revenue in accordance with [draft] IPSAS X (ED 71). [Transfer expenses without performance obligations may arise from binding arrangements that impose present obligations other than performance obligations on the transfer recipient. Transfer expenses without performance obligations may also arise where there is no binding arrangement.] [Probable deletion, subject to IPSASB decision regarding the accounting model(s) to be adopted, to be discussed in December.]</p>	Agenda Item 8.2.2 (Dec 2021)
Recognition			
Recognition of transfer expenses	ED 72.AG91	<p>In accordance with paragraph 91, a transfer provider shall recognize a transfer expense [without performance obligations at the earlier of the following dates:</p> <p>(a) — When the transfer provider has a present obligation to transfer resources to a transfer recipient; and</p>	Agenda Item 8.2.2 (Dec 2021)

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
without a binding arrangement		<p>(b) — W [w]hen the transfer provider ceases to control the resources it has agreed to transfer.</p> <p>[Probable deletion, subject to IPSASB decision regarding the accounting model(s) to be adopted, to be discussed in December.]</p>	
	ED 72.AG92-97	<p>[Probable deletion, subject to IPSASB decision regarding the accounting model(s) to be adopted, to be discussed in December.]</p>	Agenda Item 8.2.2 (Dec 2021)
	ED 72.AG103	<p><i>Fines</i></p> <p>Fines are defined in IPSAS [X] (ED 74) as 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 and/or regulations. The past event for the recognition of a transfer expense [without performance obligations] [arising outside a binding arrangement] in respect of a fine is the imposition of the fine by a court or other law enforcement body.</p> <p>[Probable deletion, subject to IPSASB decision regarding the accounting model(s) to be adopted, to be discussed in December.]</p>	Agenda Item 8.2.2 (Dec 2021)
Measurement			
Measurement of transfer expenses without a binding arrangement	ED 72.AG104	<p>In accordance with paragraph 102, [where a transfer provider recognizes an expense at the date it transfers the resources to the transfer recipient, the] [a] transfer provider shall measure the expense at the carrying amount of the resources transferred [at the date at which the transfer provider ceases to control the resources]. In many cases, the resource transferred will be cash, and the expense will be measured at the amount of the cash transferred. Where the resource transferred is a non-cash asset, the expense will be measured at the carrying amount of the asset transferred. In accordance with paragraph 114, the transfer provider does not revalue the assets prior to derecognizing them. For example, if a transfer provider transfers inventory to a transfer recipient, it measures the expense at the carrying amount of the inventory transferred, not the fair value of the inventory.</p>	Agenda Item 8.2.2 (Dec 2021)

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
		[Probable relocation to core text if no other AG paragraphs for transfer expenses without binding arrangements]	
	ED 72.AG105-AG108	[Probable deletion, subject to IPSASB decision regarding the accounting model(s) to be adopted, to be discussed in December.]	Agenda Item 8.2.2 (Dec 2021)
Transfer Expenses with Binding Arrangements [STAFF NOTE: Subject to IPSASB decision regarding the accounting model(s) to be adopted, to be discussed in December.]			
Recognition and measurement	ED 72.AG24-AG89	[Subject to IPSASB decision regarding the decision on the accounting model(s) to be adopted, to be discussed in December.]	Agenda Item X.X.X
Executory contract principle – no item is recognized where an arrangement is wholly unperformed	<i>Proposed guidance on wholly unperformed binding arrangements</i>	<p>In accordance with paragraph XX, when a binding arrangement is wholly unperformed, a transfer provider shall not recognize any asset, liability or expense associated with the binding arrangement, unless the binding arrangement is onerous. A transfer provider's rights and obligations under a wholly unperformed binding arrangement are interdependent and cannot be separated. The combined rights and obligations constitute a single asset or liability that is measured at zero.</p> <p>Individual rights and obligations are recognized as items (assets, liabilities and expenses depending on their nature) only as one or more parties to the binding arrangement fulfill their stated obligations. A transfer provider shall account for these items in accordance with paragraphs XX–XX. [Subject to future IPSASB decisions on the accounting model(s) to be adopted]</p> <p>Where parts of the binding arrangement remain equally unperformed, the transfer provider shall not recognize any asset, liability or expense for the equally unperformed parts of the binding arrangement. Such equally unperformed parts of the binding arrangement continue to constitute a single asset or liability that is measured at zero.</p>	21.04-A
Disclosure			
Transfer expenses with /	ED 72.AG109-AG111	[Subject to IPSASB decision regarding the decision on the accounting model(s) to be adopted, to be discussed in December.]	

Agenda Item 8.3.1

Purpose	Sources	Draft Guidance	Related Board discussion
without binding arrangements			

Purpose	Sources	Draft Guidance	Related Board discussion
Basis for Conclusions			
		[Pending]	

Purpose	Sources	Draft Guidance	Related Board discussion
Implementation Guidance			
		[Pending]	

Purpose	Sources	Draft Guidance	Related Board discussion
Illustrative Examples			
		[Pending]	

Supporting Document 2 – Draft Revenue IPSAS

The following document is a preliminary draft IPSAS for Revenue (authoritative text only). The intention of this preliminary draft is to present:

- 3) The overall revised structure based on the IPSASB's decisions to date (in particular, combining guidance into a single *Revenue* IPSAS, requiring an entity to first consider whether the transaction is without or with a binding arrangement, and presenting guidance based on prominence in the public sector); and
- 4) Revisions made to revenue accounting principles based on IPSASB decisions and instructions.

This preliminary draft is subject to further change, including but not limited to:

- 5) Additional or revised drafting based on IPSASB decisions on previous and current discussions;
- 6) Updates for consistent terminology (e.g., entity, transfer recipient, purchaser, transfer provider, etc.), where appropriate;
- 7) Relocate guidance, as necessary; and
- 8) Comments and changes based on Drafting Group discussions.

IPSASB decisions to date

Meeting	Change ID	Decision on Principles
Dec 2020	20.12-A	
Mar 2021	21.03-A	Retain the concept of a binding arrangement as a fundamental concept for revenue accounting, and that the existence of rights and obligations within, and enforceability of, a binding arrangement mean that it contains at least one present obligation.
Mar 2021	21.03-B	Adopt the principle that enforceability of a binding arrangement can arise from various mechanisms, so long as the mechanism(s) provide the entity with the ability to enforce the binding arrangement and hold the parties accountable to the satisfaction of stipulated obligations.
Mar 2021	21.03-C	Highlight that an entity should assess all relevant factors at the transaction date to determine whether an arrangement is enforceable.
March 2021	21.03-G	Retain revenue from performance obligations as a separate type of revenue. Highlight that performance obligations are a subset of present obligations that embody a specific transfer of a distinct good or service to a purchaser or third-party beneficiary.
Apr 2021	21.04-A	Confirm, for revenue, that there is no initial recognition when no party has fulfilled its stated obligations under the binding arrangement, unless the binding arrangement is onerous. Accounting for the binding arrangement begins when the binding arrangement is at least partially fulfilled (i.e., at least one party begins to fulfill one or more of its stated obligations). Confirm an entity's right and obligation within a binding arrangement are directly linked and interdependent. When the binding arrangement is wholly unfulfilled, the combined right and obligation constitute a single asset or liability.

Agenda Item 8.3.2

		Incorporate executory contract accounting principles without explicitly referring to the term executory contracts. Drafting should refer to specific principles to account for binding arrangements.
Jun 2021	21.06-A	Retain the definition of a 'binding arrangement' in the Revenue standard(s), as it is conceptually consistent with the definitions elsewhere in IPSAS literature, with the following minor wording revisions: include "for the purposes of this Standard," and "enforceability through legal or equivalent means", and change "both parties" to "the parties".
Jun 2021	21.06-C	Clarify in the Revenue and Transfer Expenses standards that enforceability is based on the entity's ability to enforce the binding arrangement and uncertainty of enforcement is a measurement issue.
Jun 2021	21.06-D	Confirm that enforceability is the ability to impose consequences on parties that do not fulfill their agreed-upon obligations in the binding arrangement, and the guidance proposed in paragraph 21 should be added as Application Guidance.
Jun 2021	21.06-E	Confirm that the assessment of enforceability of a binding arrangement occurs at inception and when a significant external change indicates that there may be a change in the enforceability of that binding arrangement.
Jun 2021	21.06-F	Confirm that legal or equivalent means is consistent with 'legal obligation' as described in the Conceptual Framework Chapter 5 and is not 'non-legally binding obligation'.
Jun 2021	21.06-G	Revise the definition of a liability in the IPSASB's Conceptual Framework by replacing 'outflow of resources' with 'transfer of resources' as the revised wording clarifies (i.e., does not substantially change) the underlying concepts.
Sep 2021	21.09-D	The guidance in the draft IPSAS should be reordered to require the entity to consider up front whether the transaction arises without or with a binding arrangement.
Oct 2021	21.10-A	Present revenue guidance in a single IPSAS.

IPSASB instructions

Meeting	Change ID	Instructions
Mar 2021	21.03-D	Revise and relocate existing guidance related to binding arrangements and enforceability to better communicate the agreed upon principles, and examples of indicators to help an entity assess whether enforceability can be demonstrated.
Mar 2021	21.03-E	Revise guidance in accordance with all other proposed changes outlined in Appendix 4 of the March 2021 Agenda Item 5.2.4 .
Mar 2021	21.03-F	Determine whether the use of the term binding arrangement, as currently defined in [draft] IPSAS, <i>Revenue with Performance Obligations</i> , is conceptually consistent with the <i>Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities</i> (the Conceptual Framework) and existing IPSAS, and whether the current definition and term is still appropriate at standards-level. Consider source material of definitions in IPSAS, and whether there is an issue with consistency from sourced literature.
March 2021	21.03-H	Draft guidance to better articulate that performance obligations also entail a greater specificity, and provide more objective and specific identification, recognition, and measurement of revenue.
March 2021	21.03-I	Draft additional Basis for Conclusions paragraphs to address concerns from specific constituents to explain why the IPSASB decided to move away from using exchange and non-exchange as defined terms to classify revenue and to explain that it remains an appropriate concept used to describe the economic substance of such transactions in the public sector.
Apr 2021	21.04-B	Provide explicit guidance on that assessment of enforceability when an entity first enters into an arrangement is based on the ability to enforce and not probability of enforcement at inception.
Sep 2021	21.09-E	Ensure the draft IPSAS include clear structure and signposting for ease of use.

Other

Meeting	Change ID	Feedback
-	Editorials	Editorials proposed by Board members or TAs
March & October 2021	BA acc model	Changes to combine the accounting principles into a single binding arrangement model, where appropriate. IPSASB discussions on March Agenda Item 5.2.5 and October Agenda Item 3.2.1 have supported that the fundamental accounting principles for revenue with present obligations (that are not performance obligations) and revenue with performance obligations are consistent. Both are conceptually “units of account” to determine the distinct components in a binding arrangement as a mechanism to recognize and measure revenue. Additional considerations are required for performance obligations to better reflect the exchange-type nature and higher level of specificity for performance obligations which may lead to different accounting results.

Agenda Item 8.3.2

The proposed guidance is presented in the following format for easier review. This guidance is still in draft and is subject to subsequent revisions.

Guidance type			
Section			
Purpose of guidance	Source (ED, Board decision, or staff proposal)	Notes: [Grey: in cases where guidance remains relatively unchanged from source] [Bold: main principles (per Framework preface paragraph 12)] [Proposed new or revised guidance for the revenue IPSAS] [Proposed deletions of guidance previously proposed in EDs] FYI: Paragraph numbers will be updated during the finalization stage. Guidance pending Board discussions on principle-related issues are marked with placeholders, in lieu of ED guidance.	Related Board discussion (Change ID)

Table of Contents

Core Text	2
Objective	2
Scope	2
Definitions	5
Identify the Revenue Transaction	10
Revenue from Transactions without Binding Arrangements	13
Revenue from Transactions with Binding Arrangements	20
Other Assets from Revenue Transactions with Binding Arrangement Costs	27
Application of Principles and Requirements to Specific Transfers	30
Presentation	33
Disclosures	35
Effective Date and Transition	35
Application Guidance	39
Amendments to other IPSAS	66
Basis for Conclusions	66
Illustrative Examples	66

Core Text

Purpose	Sources	Draft Guidance	Related Board discussion
Core Text			
Objective			
Objective	ED 71.1, ED 70.1, Board decision	<p>The objective of this [draft] Standard is to establish the principles that an entity (transfer recipient) shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from revenue transactions without performance obligations (as defined in [draft] IPSAS [X] (ED 70), <i>Revenue with Performance Obligations</i>.</p> <p>The objective of this [draft] Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from binding arrangements with a purchaser that include performance obligations to transfer promised goods or services to the purchaser or third-party beneficiary.</p>	21.10-A
Objective	ED 71.2, ED 70.2, Board decision	<p>To meet the objective in paragraph 1 Error! Reference source not found., the core principle of this [draft] Standard is that:</p> <ul style="list-style-type: none"> (a) Requires a transfer recipient shall to consider the terms of the arrangement, and all relevant facts and circumstances, when applying this [draft] Standard to determine the type of revenue transaction in its arrangement; and (b) Sets out the accounting requirements to account for the revenue transaction. <p>An entity shall recognize an asset and the associated revenue or deferred revenue to the extent it has satisfied any present obligations associated with the transaction. A transfer recipient shall</p> <p>Paragraphs AGXX-AGXX [ED 71 AG2 and ED 70 AG2-AG4] provides additional guidance on the Objective.</p>	21.10-A
Scope			
Scope – exclusions	ED 71.3, ED 70.3, Board decision	<p>A transfer recipient that prepares and presents financial statements under the accrual basis of accounting shall apply this [draft] Standard in accounting for its revenue from transactions without performance obligations. This [draft] Standard does not apply to:</p> <ul style="list-style-type: none"> (a) Revenue from transactions with performance obligations (see [draft] IPSAS [X] (ED 70); (a) Contributions to social benefit schemes that are accounted for in accordance with paragraphs 26-31 of IPSAS 42, <i>Social Benefits</i> (the insurance approach); (b) A public sector combination that is a non-exchange transaction; 	21.10-A

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		<p>(c) The accounting for contributions from owners;</p> <p>(d) Lease contracts within the scope of IPSAS 13, <i>Leases</i>¹;</p> <p>(e) Insurance contracts within the scope of the relevant international or national accounting standard dealing with insurance contracts²;</p> <p>(f) Financial instruments and other contractual rights or obligations within the scope of, IPSAS 41, <i>Financial Instruments</i>;</p> <p>(g) Rights or obligations arising from binding arrangements within the scope of, IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i>, IPSAS 32, <i>Service Concession Arrangements: Grantor</i>, IPSAS 34, <i>Separate Financial Statements</i>, IPSAS 35, <i>Consolidated Financial Statements</i>, IPSAS 36, <i>Investments in Associates and Joint Ventures</i>, IPSAS 37, <i>Joint Arrangements</i>, IPSAS 39, <i>Employee Benefits</i> and IPSAS 40, <i>Public Sector Combinations</i>;</p> <p>(h) Non-monetary exchanges between entities in the same line of business to facilitate sales to purchasers or potential purchasers. For example, this [draft] Standard would not apply to a binding arrangement between two public sector entities that agree to an exchange of electricity to fulfill demand from their purchasers in different specified locations on a timely basis;</p> <p>(i) Gains from the sale of non-financial assets that are not an output of a transfer recipient's activities and within the scope of IPSAS 16, <i>Investment Property</i>, IPSAS 17, <i>Property, Plant, and Equipment</i> or IPSAS 31, <i>Intangible Assets</i>;</p> <p>(j) Changes in the value of other current assets Changes in the value of current and non-current assets arising from subsequent measurement;</p> <p>(k) Initial recognition or changes in the fair value of biological assets related to agricultural activity (see IPSAS 27, <i>Agriculture</i>); and</p> <p>(l) The extraction of mineral resources.</p>	
Scope – specific exclusion	Public Sector Combinations <i>ED 71.6</i>	Governments may reorganize the public sector, merging some public sector entities, and dividing other entities into two or more separate entities. A public sector combination occurs when two or more operations	

¹ The IPSASB has a project to replace IPSAS 13, *Leases*. Refer to IPSAS 43, *Leases*.

² There is no equivalent IPSAS and no standard is being developed in the IPSAS literature on Insurance contracts.

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		are brought together to form one reporting entity. These restructurings do not ordinarily involve one entity purchasing another operation or entity, but may result in a new or existing entity acquiring all the assets and liabilities of another operation or entity. Public sector combinations are accounted for in accordance with IPSAS 40.	
Scope – specific exclusion	Contributions from Owners		
	ED 71.7	Contributions from owners are defined in IPSAS 1, <i>Presentation of Financial Statements</i> . 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 8 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 transfer recipient will pay fixed distributions to the transfer provider, with a return of the transfer provider's investment at a specified future time, the transaction is more characteristic of a loan. For contractual arrangements, an entity also considers the guidance in IPSAS 28, <i>Financial Instruments: Presentation</i> when distinguishing liabilities from contributions from owners.	
	ED 71.8	A contribution from owners may be evidenced by, for example: <ul style="list-style-type: none"> (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 that can be sold, transferred, or redeemed; or (c) The issuance, in relation to the contribution, of equity instruments that can be sold, transferred, or redeemed. 	
Scope – types of revenue	ED 71.5, ED 70.4, ED 70.5	[N/A - propose to delete these scope paragraphs (which served to differentiate revenue types for scope purposes). Staff propose to use Definitions and AGs instead to help clarify differences]	21.10-A

Purpose	Sources	Draft Guidance	Related Board discussion
Scope – specific to binding arrangements	ED 70.6, <i>Make guidance more generic to apply to binding arrangements</i>	This [draft] Standard specifies the accounting for the incremental costs of obtaining a binding arrangement with performance obligations and for the costs incurred to fulfill a binding arrangement with a purchaser if those costs are not within the scope of another Standard (see paragraphs 90–103). An entity shall apply those paragraphs only to the costs incurred that relate to a binding arrangement with a purchaser (or part of that binding arrangement) that is within the scope of this [draft] Standard. Paragraphs AG5-AG6 provide additional guidance on the Scope.	
Definitions			
Definitions	ED 71.10, ED 71.11, ED 70.1, ED 70.7 <i>Board decision</i>	<p>The following terms are used in this [draft] Standard with the meanings specified:</p> <p>For the purposes of this Standard, a <u>binding arrangement</u> is an arrangement that confers both enforceable rights and obligations, enforceable through legal or equivalent means, on both the parties to the arrangement. A <u>contract</u> is a type of <u>binding arrangement</u> (paragraphs IPSAS [X] (ED 70) AG7-AG12 provide additional guidance).</p> <p>A <u>binding arrangement asset</u> is an entity's right to consideration in exchange for goods or services³ that the entity has transferred to a purchaser or third-party beneficiary when that right is conditioned on something other than the passage of time (for example, the entity's future performance).</p> <p>A <u>capital transfer</u> is an inflow, that arises from a binding arrangement, of cash or another asset with a specification that the transfer recipient acquires or constructs a non-financial asset that will be controlled by the transfer recipient. (Paragraph AG24 provides additional guidance.)</p> <p>A <u>contract</u> is an agreement between two or more parties that creates enforceable rights and obligations.</p> <p><u>Control of an asset</u> is the ability to direct the use of and obtain substantially all of the remaining economic benefits or service potential from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the economic benefits or service potential from, the asset.</p>	21.03-E 21.03-G 21.06-A 21.10-A

³ In this ~~[draft]~~ Standard, the terms goods and services or goods or services may encompass non-current assets.

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		<p>A <u>customer</u> is a party that has contracted with an entity to obtain goods or services that are an output of the entity's activities in exchange for consideration.</p> <p>[Eligible expenditures - Deletion proposed. Subject to upcoming IPSASB discussions on eligible expenditures in December]</p> <p><u>Expenses paid through the tax system</u> are amounts that are available to beneficiaries regardless of whether or not they pay taxes.</p> <p><u>Fines</u> 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 and/or regulations.</p> <p><u>Other compulsory contributions and levies</u> is cash or another asset, paid or payable to public sector entities, in accordance with laws and/or regulations, established to provide revenue that is to be used in the provision of specified government programs.</p> <p>A <u>performance obligation</u> is an entity's promise in a binding arrangement with a purchaser to transfer to the purchaser or third-party beneficiary either:</p> <ul style="list-style-type: none"> (a) A good or service (or a bundle of goods or services) that is distinct; or (b) A series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the purchaser or third-party beneficiary. <p>A performance obligation is a subset of a present obligation.</p> <p>[Present obligation - Subject to upcoming IPSASB discussions on new terminology and definition of 'present obligation' in December.]</p> <p>A <u>purchaser</u> is a party that pays for goods or services that are an output of an entity's activities under a binding arrangement, either for its own consumption or for transfer to a third-party beneficiary (paragraph Error! Reference source not found. provides additional guidance). A <u>customer</u> is a type of a <u>purchaser</u>.</p>	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		<p><u>Revenue</u> 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.</p> <p>[Specified activities – Deletion proposed. Subject to upcoming IPSASB discussions on specified activities in December]</p> <p>The <u>stand-alone price</u> (of a good or service) is the price at which an entity would provide a promised good or service separately to a purchaser or third-party beneficiary.</p> <p><u>Tax expenditures</u> are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.</p> <p>The <u>taxable event</u> is the event that the government, legislature, or other authority has determined will be subject to taxation.</p> <p><u>Taxes</u> 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 laws and/or regulations.</p> <p>For the purposes of this [draft] Standard, the <u>transaction price</u> is the amount of consideration to which a transfer recipient expects to be entitled in a transaction without performance obligations.</p> <p>A <u>third-party beneficiary</u> is an entity, household or individual who will benefit from a transaction made between two other parties by receiving goods, services or other assets (paragraph Error! Reference source not found. provides additional guidance).</p> <p>For the purposes of this [draft] Standard, the <u>transaction price</u> is the amount of consideration to which an entity/transfer recipient expects to be entitled. For the purposes of this [draft] Standard, the transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a purchaser or third-party beneficiary, excluding amounts collected on behalf of third parties.</p>	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		<p>A <u>transfer</u> is a transaction, other than taxes, in which an entity receives a good, service, or other asset⁴ from another entity (which may be an individual) without directly providing any good, service, or other asset in return.</p> <p>A <u>transfer provider</u> is an entity that provides a good, service or other asset to another entity without directly receiving any good, service or other asset in return.</p> <p>A <u>transfer recipient</u> is an entity that receives a good, service, or other asset from another entity without directly providing any good, service, or other asset to that entity.</p> <p>A <u>transfer recipient's binding arrangement asset</u> is an entity's right to a transfer to satisfy a present obligation when that right is conditioned on something other than the passage of time (for example, the entity's future performance).</p> <p>A <u>transfer recipient's binding arrangement liability</u> is an entity's obligation to satisfy a present obligation for which the entity has received an amount (or the amount is due) from the transfer provider.</p> <p>The following terms are defined in [draft] IPSAS [X] (ED 70) and are used in this [draft] Standard with the same meaning as in [draft] IPSAS X (ED 70):</p> <ul style="list-style-type: none"> (a) — A binding arrangement (paragraphs AG21.10–AG15 provide additional guidance); (ba) — Control of an asset; (cb) — A performance obligation; and (dc) — A third-party beneficiary. <p>Revenue is defined in IPSAS 1 and [draft] IPSAS [X] (ED 70).</p> <p>Terms defined in other IPSAS are used in this [draft] Standard with the same meaning as in those Standards and are reproduced in the Glossary of Defined Terms published separately.</p>	
Description – Revenue	<p>Revenue</p> <p>ED 71.12</p>	Revenue comprises gross inflows of economic benefits or service potential received and receivable by the entity (transfer recipient), which represents an increase in net assets/equity, other than increases relating to	

⁴ The definition of a transfer includes references to other asset (such as non-current assets) for completeness. Elsewhere in this [draft] Standard, references to goods and services or to goods or services are to be read as incorporating references to assets.

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		contributions from owners. Amounts collected as an agent of the government or another government organization or other third parties are not considered revenue of the agent, as these amounts will not give rise to an increase in net assets/equity 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.	
	ED 71.13	Where a transfer recipient incurs some cost in relation to revenue arising from a revenue transaction without performance obligations , 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 transfer recipient is required to pay delivery and installation costs in relation to the transfer of an item of plant to it from another entity (transfer provider), 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.	
Description – Taxes	Taxes		
	ED 71.27	Taxes, which include compulsory contributions and levies, are the major source of revenue for many governments and other public sector entities. Taxes are defined in paragraph 10 as 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, excluding fines or other penalties imposed for breaches of laws and/or regulations. 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 transactions without performance obligations a binding arrangement. A government levies taxation on individuals and other entities, known as taxpayers, within its jurisdiction by use of its sovereign powers.	
	ED 71.28	Tax laws and/or regulations can vary significantly from jurisdiction to jurisdiction, but they have a number of common characteristics. Tax laws and/or regulations (a) establish a government's right to collect the tax, (b) identify the basis on which the tax is calculated, and (c) establish procedures to administer the tax, that is, procedures to calculate the tax receivable and ensure payment is received. Tax laws and/or 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 and/or regulations are usually rigorously enforced and often impose severe penalties on individuals or other entities breaching the law.	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
	ED 71.29	The rights (of a government to calculate the tax receivable and ensure payment is received) and obligations (on the taxpayer to submit returns and monies when due) established in tax laws and/or regulations do not create binding arrangements between the government and the taxpayer. A binding arrangement, as defined in [draft] IPSAS [X] (ED 70), Revenue with Performance Obligations , creates both enforceable rights and obligations on both parties to the arrangement and not a single right and obligation on each party.	
	ED 71.30	Advance receipts, being amounts received in advance of the taxable event, may also arise in respect of taxes.	
Identify the Revenue Transaction			
Types of revenue – with or without Binding arrangement (BA)	ED 71.4, <i>Moved from scope section for better flow.</i> <i>Additional clarity based on Board decision.</i>	This [draft] Standard addresses revenue arising from transactions without performance obligations. This includes transactions arising from binding arrangements and those not arising from a binding arrangement Public sector revenues may arise from transactions: <ul style="list-style-type: none"> (a) Without binding arrangements (i.e., revenue without binding arrangements) (b) With binding arrangements that do not include performance obligations; or (c) Revenue arising from transactions With binding arrangements that include performance obligations is addressed in [draft] IPSAS [X] (ED 70). While revenues received by public sector entities arise from both transactions with and without performance obligations, The majority of revenue of governments and other public sector entities is typically derived from transactions without binding arrangements, or with binding arrangements that do not include performance obligations, such as: <ul style="list-style-type: none"> (a) Taxes; (b) Capital transfers; and (c) Transfers (whether cash or non-cash), including debt forgiveness, fines, bequests, gifts, donations, goods or services in-kind, and the off-market portion of concessionary loans received. 	21.03-A 21.10-A
Types of revenue – analysis required	ED 70.31, <i>Board decision</i>	At inception, an entity should first consider whether it has entered into a revenue transaction with or without a binding arrangement. The following flowchart on the following page intends to assist the entity in identifying the type of revenue arising from its public sector transaction, and identifies the relevant paragraphs of guidance to account for the identified type of in this [draft] Standard related to asset, liability and revenue recognition and measurement, for revenue transactions without performance obligations. Requirements for the treatment of transactions are set out in paragraphs 32–154.	21.09-D

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
Types of revenue – analysis required	ED 71 flowchart footnotes, Board decision	<pre> graph TD Q1[Does the revenue arise from a transaction with a Binding Arrangement? (paragraphs XX-XX)] -- No --> A1[Revenue without a Binding Arrangement] Q1 -- Yes --> A2[Revenue with a Binding Arrangement] A1 --> B1[Account for revenue without a binding arrangement in accordance with paragraphs XX-XX] A2 --> Q2[Are any of the Present Obligations a Performance Obligation? (paragraphs XX-XX)] Q2 -- No --> B2[Account for revenue with a binding arrangement without performance obligations in accordance with paragraphs YY-YY] Q2 -- Yes --> B3[Account for revenue with a binding arrangement with performance obligations in accordance with paragraphs YY-ZZ] </pre> <p>* The flowchart is illustrative only. It does not take place of this [draft] Standard and is provided as an aid to interpreting this [draft] Standard.</p> <p>* 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.</p> <p>* In determining whether the entity has satisfied all of the present obligations, the application of the definitions of specified activity or eligible expenditure, and the criteria for recognizing a liability, are considered.</p>	21.09-D
BA	Identify whether a Binding Arrangement Exists		21.09-D
BA: Forms	ED 70.9, Addition to introduce forms,	Binding arrangements can be evidenced in several ways. A binding arrangement can be written, oral or implied by an entity's customary practices. The practices and processes for establishing binding arrangements with purchasers vary across legal jurisdictions, sectors and entities. In addition, they may vary	21.06-A

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
	<i>similar to other IPSAS [remainder was from IFRS 15]</i>	within an entity (for example, they may depend on the class of purchaser or the nature of the promised goods or services).	
BA: Enforceability	ED 70.9, <i>Board decision</i>	For an arrangement to be binding, it must be enforceable through legal or equivalent means. Enforceability of a binding arrangement can arise from various mechanisms, so long as the mechanism(s) provide the entity with the ability to enforce the binding arrangement and hold the parties accountable for the satisfaction of stated obligations.	21.03-B Editorials
	ED 70.AG10, ED 70.AG14, ED 71.22, ED 71.24, <i>Board decision</i>	In determining whether an arrangement is enforceable, the transfer recipient considers the substance rather than the legal form of the arrangement. If past experience or knowledge indicates that the transfer provider never enforces an arrangement if a breach occurs, then the transfer recipient may conclude that the arrangement is not enforceable in substance. If the transfer recipient does not have this experience or knowledge, then the transfer recipient assumes that the transfer provider would enforce the binding arrangement and, therefore, enforceability has substance. The assessment of whether an arrangement is enforceable is based on an entity's ability to enforce the satisfaction of the other parties' stated obligations.	21.03-D 21.06-C Editorials
BA: Enforceability, appropriations	ED 71.36	When A binding arrangement specifies may specify that the resources to be transferred to the transfer recipient by a transfer provider are subject to the an appropriation being authorized, t. The transfer recipient considers whether, in substance, over form in determining whether the arrangement is enforceable because mechanisms of enforceability enable the transfer recipient has to require the transfer provider to transfer resources, or, if the transfer provider fails to do so, to impose consequences on the transfer provider, control of these resources prior to the appropriation being authorized.	21.03-E
	ED 71.37	The limitation (that the resources to be transferred are subject to the appropriation being authorized) does not have has substance, and the arrangement is not enforceable and thus not a binding arrangement, when where the transfer recipient cannot establish an enforceable right to those resources, before the appropriation is authorized. Paragraphs AG28-AG32 provides additional guidance on appropriations.	21.03-E
BA: Interdependent right and obligations; At least two-way enforceability	<i>Board decision</i>	A binding arrangement includes both rights and obligations that are enforceable for two or more of the involved parties. The entity's enforceable right and obligation within the binding arrangement are interdependent and inseparable. At least one other party involved in the binding arrangement also has an interdependent right and obligation to which they are held accountable.	21.03-A 21.04-A

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
BA: Wholly unfulfilled	ED 70.11	For the purpose of applying this draft Standard, an arrangement is not a binding arrangement does not exist if each party to the binding arrangement has the unilateral enforceable right to terminate a wholly unperformed unfulfilled binding arrangement without compensating the other party (or parties). A binding arrangement is wholly unperformed unfulfilled if both of the following criteria are met: (a) The entity has not yet transferred any promised goods or services to the purchaser or third party beneficiary fulfilled any of its stated obligations in the binding arrangement; and (b) The entity has not yet received, and is not yet entitled to receive, any consideration in exchange for promised goods or services.	
BA: Further guidance	ED 70.8	Paragraphs AG7-AG24 provides additional guidance on binding arrangements.	
Types of revenue – signpost for applicable guidance	Board decision	An entity will apply the recognition and measurement criteria in this Standard as follows: (a) Revenue from transactions without binding arrangements are accounted for using paragraphs XX-XX; and (b) Revenue from transactions with binding arrangements are accounted for using paragraphs XX-XX.	21.09-D 21.09-E
Revenue from Transactions without Binding Arrangements			
Recognition			
Recognizing asset from inflow of resources	Analysis of the Initial Inflow of Resources from Revenue Transactions without Performance Obligations		
	ED 71.31	A transfer recipient recognizes an asset arising from an inflow of resources arising from a revenue transaction without performance obligations as an asset when it gains control of those resources. A transfer recipient is considered to control an inflow of resources when the definition of an asset and the recognition criteria are met. In certain circumstances, such as when a creditor forgives a liability, a decrease in the carrying amount of a previously recognized liability may give rise to an inflow of resources. In some cases, gaining control of the inflow of resources may also carry with it obligations that the transfer recipient will recognize as a liability until the obligations are satisfied. Contributions from owners do not give rise to revenue, so e. Each type of inflow of resources is analyzed, and any contributions from owners are accounted for separately.	
	ED 71.32	Assets are defined in IPSAS 1 as 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.	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
	ED 71.33	<p>An inflow of resources from a transaction without performance obligations, other than services in-kind, that meets the definition of an asset shall be recognized as an asset when, and only when:</p> <p>(a) It is probable that the future economic benefits or service potential associated with the asset will flow to the transfer recipient; and</p> <p>(b) The value of the asset can be measured reliably.⁵</p>	
Recognizing asset from inflow of resources – Elements of asset definition		Control of an Asset	
	ED 71.34	The ability to exclude or regulate the access of others to the benefits of an asset is an essential element of control that distinguishes a transfer recipient'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. In accordance with paragraph 110, entities may, but are not required, to recognize services in-kind.	
	ED 71.35	An announcement of an intention to transfer resources to a public sector transfer recipient is not of itself sufficient to identify resources as controlled by a transfer recipient. For example, if a public school were destroyed by a forest fire and a government (transfer provider) announced its intention to transfer funds to rebuild the school, the school would not recognize an inflow of resources (resources receivable) at the time of the announcement. In circumstances where an agreement is required before resources can be transferred, a transfer recipient will not identify the resources as controlled until such time as the agreement is binding, because the transfer recipient cannot exclude or regulate the access of the transfer provider to the resources. In many instances, the transfer recipient will need to establish enforceability of its control of resources before it can recognize an asset. If a transfer recipient does not have an enforceable claim to resources, it cannot exclude or regulate the transfer provider's access to those resources.	
		Past Events	
	ED 71.38	Public sector entities normally obtain assets from governments, other entities including taxpayers, or by purchasing or producing them. Therefore, the past events that gives rise to control of an asset may be a purchase, a taxable event, or a transfer. Transactions or events expected to occur in the future do not in	

⁵ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC16 of IPSAS 1 discusses the transitional approach to the explanation of reliability.

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		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	
	ED 71.39	An inflow of resources is probable when the inflow is more likely than not to occur. The transfer recipient bases this determination on its past experience with similar types of flows of resources and its expectations regarding the taxpayer or transfer provider. For example, where (a) a government (transfer provider) agrees to transfer funds to a public sector transfer recipient, (b) the agreement is binding, and (c) the government has a history of transferring agreed resources, it is probable that the inflow will occur, notwithstanding that the funds have not been transferred at the reporting date.	
	ED 71.40	A transfer recipient shall account for an asset that is within the scope of this [draft] Standard only when it is probable that the transfer recipient will collect and/or receive the inflow of resources. In evaluating whether collectability of an inflow is probable, a transfer recipient shall consider only the transfer provider's ability and intention to pay. The amount of the inflow that the transfer recipient expects to collect from the transfer provider may be less than the amount stated in the binding or other arrangement if the inflow is variable (see paragraph 64).	
		Contingent Assets	
	ED 71.44	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).	
Without BA: recognition	Recognition of Revenue Transactions without Binding Arrangements		
Without BA: revenue	ED 71.86	When a transfer recipient recognizes an inflow of resources as an asset for a revenue transaction with no present obligation as set out in paragraphs 32-43 without a binding arrangement, it recognizes revenue immediately.	
Measurement			
Without BA: measurement	Measurement of Revenue Transactions without Binding Arrangements		
	ED 71.87	Revenue from transactions without present obligations a binding arrangement shall be measured at the amount of the increase in net assets recognized by the transfer recipient.	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
	ED 71.88	When, as a result of a revenue transaction without a present obligation or a binding arrangement, a transfer recipient recognizes an asset, it also recognizes revenue equivalent to the amount of the asset measured in accordance with paragraph 59.	
Taxes			
Without BA: Taxes	Taxes		
	ED 71.89	A transfer recipient shall recognize an asset in respect of taxes, which include other compulsory contributions and levies, when the taxable event, or other event giving rise to other compulsory contributions and levies, occurs and the asset recognition criteria are met.	
	ED 71.90	Resources arising from taxes satisfy the definition of an asset when the transfer recipient 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.	
	ED 71.91	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 (transfer expense per [draft] IPSAS [X] (ED 72)). 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 taxes 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.	
	ED 71.92	Taxes do not satisfy the definition of contributions from owners, because the payment of taxes does not give the taxpayers a right to receive (a) distributions of future economic benefits or service potential by the entity during its life, or (b) distribution of any excess of assets over liabilities in the event of the government being	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		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.	
	ED 71.93	Taxes are a transaction without performance obligations because the taxpayer transfers resources to the government, and the government is not required to transfer distinct goods or services to the taxpayer or a third-party beneficiary in return. While the taxpayer may benefit from a range of social policies established by the government, the taxpayer has no control over which benefits they receive as a result of the payment of taxes.	
Without BA: Taxes – Taxable Event for Other Compulsory Contributions and Levies		The Taxable Event for Other Compulsory Contributions and Levies	
	ED 71.94	Similar types of taxes are levied in many jurisdictions. The transfer recipient 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 and/or regulations, it is likely that the taxable event for: <ul style="list-style-type: none"> (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. 	
	ED 71.95	Similar types of other compulsory contributions and levies occur in many jurisdictions. The transfer recipient analyzes the law and/or regulation relating to other compulsory contributions and levies in its own jurisdiction to determine what event the government, legislature, or other authority has determined will result in the other compulsory contribution or levy. Examples of such events include: <ul style="list-style-type: none"> (a) Income being earned (where other compulsory contributions are based on earnings, for example other compulsory contributions in respect of unemployment benefits which are based on a percentage of earned income); (b) The passage of time (where other compulsory contributions to a social benefit are based on time, for example monthly payments); and (c) The purchase of goods or services (where levies are based on a percentage of sales, for example where accident benefit schemes impose a levy on fuel sales). 	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
Without BA: Taxes – Advance Receipts	ED 71.96	<p>Advance Receipts of Taxes</p> <p>Consistent with the definitions of assets, liabilities, and the requirements of paragraph 89, resources for taxes and other compulsory contributions and levies received prior to the occurrence of the taxable event for other compulsory contributions and levies are recognized as an asset and a liability (advance receipts), because (a) the event that gives rise to the transfer recipient's entitlement to the taxes or other compulsory contributions and levies has not occurred, and (b) the criteria for recognition of taxation revenue or revenue from other compulsory contributions and levies have not been satisfied (see paragraph 95), notwithstanding that the transfer recipient has already received an inflow of resources. Advance receipts in respect of taxes and other compulsory contributions and levies are not fundamentally different from other advance receipts, so a liability is recognized until the taxable event for other compulsory contributions and levies occurs. When the taxable event for other compulsory contributions and levies occurs, the liability is discharged and revenue is recognized.</p>	
Without BA: assets	ED 71.97	<p>Measurement of Assets Arising from Taxation Transactions</p> <p>Similar to the measurement of assets for transfers with present obligations as required by paragraph 60, Assets arising from taxation transactions are measured at their transaction price. A transfer recipient shall consider the terms of the transaction and its customary practices to determine the transaction price. Assets arising from taxation transactions are measured at the best estimate of the inflow of resources to the transfer recipient, which is consistent with most likely amount in paragraph 67. The accounting policies for estimating 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.</p>	
	ED 71.98	<p>Where there is a separation between the timing of the taxable event and the collection of taxes, public sector entities may measure assets arising from these transactions by using, for example, statistical models based on the history of collecting the particular tax, contribution or levy 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, contribution or levy receivable to other events in the economy. Measurement models will also take account of other factors such as:</p> <ul style="list-style-type: none"> (a) The tax law and/or regulation 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; 	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		<p>(d) Complexities in tax law and/or regulation requiring extended periods for assessing taxes due from certain taxpayers;</p> <p>(e) The potential that the financial and political costs of rigorously enforcing the tax laws and/or regulations (or laws and/or regulations relating to other compulsory contributions and levies) and collecting all the taxes, contributions and levies legally due to the government may outweigh the benefits received;</p> <p>(f) The tax law and/or regulation permitting taxpayers to defer payment of some taxes; and</p> <p>(g) A variety of circumstances particular to individual taxes and jurisdictions.</p>	
	ED 71.99	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, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> .	
	ED 71.100	In some cases, the assets arising from taxation transactions 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.	
Without BA:		Measurement of Taxes with Collection Uncertainty	
Taxes with collection uncertainty	ED 71.101	The measurement of assets arising from taxation transactions is limited to the extent that it is highly probable that a significant reversal of the amount of cumulative revenue recognized will not occur in accordance with paragraphs 69-70.	
Without BA:		Expenses Paid Through the Tax System and Tax Expenditures	
Expenses paid through tax	ED 71.102	Taxation revenue shall be determined at a gross amount. It shall not be reduced for expenses paid through the tax system.	
	ED 71.103	In some jurisdictions, the government uses the tax system as a convenient method of paying to taxpayers benefits that 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	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		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.	
	ED 71.104	Taxation revenue shall not be grossed up for the amount of tax expenditures.	
	ED 71.105	In most jurisdictions, governments use the tax system to encourage certain financial behavior and discourage other behavior. For example, in some jurisdictions, homeowners 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.	
	ED 71.106	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 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.	

Revenue from Transactions with Binding Arrangements

Recognition			
With BA: accounting model	Step 1: Identifying ED 70.8, Board decision	Determining the Binding Arrangement An entity shall account for a binding arrangement with a purchaser using the five-step model if all of the following criteria are met: (a) The parties to the binding arrangement have approved the binding arrangement (in writing, orally or in accordance with other customary practices) and are committed to perform their respective obligations; (b) The entity can identify each party's rights regarding the goods or services to be transferred; (c) The entity can identify the payment terms for the goods or services to be transferred;	21.03-E BA acc model

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		<p>(d) The binding arrangement has economic substance (i.e., the risk, timing or amount of the entity's future cash flows or service potential is expected to change as a result of the binding arrangement) (paragraphs AG26-AG28 provide additional guidance); and</p> <p>(e) It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the purchaser or third-party beneficiary (paragraphs AG29-AG31 provide additional guidance). In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the purchaser's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the entity will be entitled may be less than the price stated in the binding arrangement if the consideration is variable because the entity may offer the purchaser a price concession (see paragraph 51).</p> <p>Paragraphs AG7-AG24 provide additional guidance on identifying the binding arrangement.</p>	
	ED 70.12, Clarifications to reflect IPSASB discussions	<p>If a binding arrangement with a purchaser meets the criteria in paragraph 8 at the inception of the binding arrangement, an entity shall not reassess those criteria unless there is an indication of a significant change in facts and circumstances. For example, if a purchaser's transfer provider's ability to pay the consideration deteriorates significantly, an entity would reassess whether it is probable that the entity will collect the consideration to which the entity will be entitled in exchange for the remaining goods or services that will be transferred to the purchaser or third-party beneficiary fulfillment of any remaining present obligations in the binding arrangement.</p>	BA acc model
With BA: In scope of ED 71	ED 70.13, ED 70.14, Clarifications to reflect IPSASB discussions	<p>When a binding arrangement with a purchaser within the scope of this [draft] Standard does not meet all of the criteria in paragraph 8, and receives consideration from the purchaser, the entity shall recognize the any consideration received as revenue only when either of the following events has occurred:</p> <p>(a) The entity has transferred the goods or services to which the consideration that has been received relates, the entity has no obligation to transfer additional goods or services for the consideration received, and the consideration received from the purchaser is non-refundable; or</p> <p>(b) The binding arrangement has been terminated and the consideration received from the purchaser is non-refundable.</p> <p>An entity shall continue to assess the binding arrangement to determine whether the criteria in paragraph 8 are subsequently met.</p>	BA acc model

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
BA: consider after identifying existence of BA	<i>Board decision</i>	If an entity has determined that its revenue arises from a transaction with a binding arrangement that is to be accounted for using the five-step model, the entity shall also consider whether it should be combined with other binding arrangements, and there are any modifications to its binding arrangement.	21.09-D
Combination of BAs	<i>Combination of Binding Arrangements</i> <i>ED 70.16</i>	An entity shall combine two or more binding arrangements entered into at or near the same time with the same purchaser (or related parties of the purchaser) and account for the binding arrangements as a single binding arrangement if one or more of the following criteria are met: <ul style="list-style-type: none"> (a) The binding arrangements are negotiated as a package with a single objective; (b) The amount of consideration to be paid in one binding arrangement depends on the price or performance of the other binding arrangement; or (c) The goods or services promised in the binding arrangements (or some goods or services promised in each of the binding arrangements) are a single performance obligation in accordance with paragraphs 21–29. 	
Modifications to a BA	<i>Modifications to a Binding Arrangement</i> <i>ED 70.17</i> <i>ED 70.18</i>	<p>A modification to a binding arrangement is a change in the scope or price (or both) of a binding arrangement that is approved by the parties to the binding arrangement. In some sectors and jurisdictions, a modification to a binding arrangement may be described as a variation, an amendment, or a change order. A modification to a binding arrangement exists when the parties to a binding arrangement approve a modification that either creates new or changes existing enforceable rights and obligations of the parties to the binding arrangement. A modification to a binding arrangement could be approved in writing, by oral agreement or implied by an entity's customary practices. If the parties to the binding arrangement have not approved a modification to a binding arrangement, an entity shall continue to apply this [draft] Standard to the existing binding arrangement until the modification to a binding arrangement is approved.</p> <p>A modification to a binding arrangement may exist even though the parties to the binding arrangement have a dispute about the scope or price (or both) of the modification or the parties have approved a change in the scope of the binding arrangement but have not yet determined the corresponding change in price. In determining whether the rights and obligations that are created or changed by a modification are enforceable, an entity shall consider all relevant facts and circumstances including the terms of the binding arrangement and other evidence. If the parties to a binding arrangement have approved a change in the scope of the binding arrangement but have not yet determined the corresponding change in price, an entity</p>	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		shall estimate the change to the transaction price arising from the modification in accordance with paragraphs 49–53 on estimating variable consideration and paragraphs 55–57 on constraining estimates of variable consideration.	
	ED 70.19	<p>An entity shall account for a modification to a binding arrangement as a separate binding arrangement if both of the following conditions are present:</p> <ul style="list-style-type: none"> (a) The scope of the binding arrangement increases because of the addition of promised goods or services that are distinct (in accordance with paragraphs 25–29); and (b) The price of the binding arrangement increases by an amount of consideration that reflects the entity's stand-alone prices of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular binding arrangement. For example, an entity may adjust the stand-alone price of an additional good or service for a discount that the purchaser receives, because it is not necessary for the entity to incur the related costs that it would incur when providing a similar good or service to a new purchaser. 	
	ED 70.20	<p>If a modification to a binding arrangement is not accounted for as a separate binding arrangement in accordance with paragraph 19, an entity shall account for the promised goods or services not yet transferred at the date of the modification to a binding arrangement (i.e., the remaining promised goods or services) in whichever of the following ways is applicable:</p> <ul style="list-style-type: none"> (a) An entity shall account for the modification to a binding arrangement as if it were a termination of the existing binding arrangement and the creation of a new binding arrangement, if the remaining goods or services are distinct from the goods or services transferred on or before the date of the modification to a binding arrangement. The amount of consideration to be allocated to the remaining performance obligations (or to the remaining distinct goods or services in a single performance obligation identified in accordance with paragraph 21(b)) is the sum of: <ul style="list-style-type: none"> (i) The consideration promised by the purchaser (including amounts already received from the purchaser) that was included in the estimate of the transaction price and that had not been recognized as revenue; and (ii) The consideration promised as part of the modification to a binding arrangement. (b) An entity shall account for the modification to a binding arrangement as if it were a part of the existing binding arrangement if the remaining goods or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied at the date of the modification to a binding 	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		<p>arrangement. The effect that the modification to a binding arrangement has on the transaction price, and on the entity's measure of progress towards complete satisfaction of the performance obligation, is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the modification of a binding arrangement (i.e., the adjustment to revenue is made on a cumulative catch-up basis).</p> <p>If the remaining goods or services are a combination of items (a) and (b), then the entity shall account for the effects of the modification on the unsatisfied (including partially unsatisfied) performance obligations in the modified binding arrangement in a manner that is consistent with the objectives of this paragraph.</p>	
With BA: Duration	<i>Duration of a Binding Arrangement</i> <i>ED 70.10</i>	Some binding arrangements with purchasers may have no fixed duration and can be terminated or modified by either party at any time. Other binding arrangements may automatically renew on a periodic basis that is specified in the binding arrangement. An entity shall apply this draft Standard to the duration of the binding arrangement (i.e., the period of the binding arrangement) in which both the parties to the binding arrangement have present enforceable rights and obligations.	21.06-A
BA: present obligations	Step 2: Identifying Present Obligations in a Binding Arrangement <i>ED 71.15,</i> <i>ED 71.47-48</i>	[Subject to upcoming IPSASB discussion on nature, term, and definition of present obligations in December]	
	<i>ED 71.14,</i> <i>ED 71.23,</i> <i>Board decision</i>	A binding arrangement has at least one present obligation because its enforceability holds the entity accountable for fulfilling the stated obligations of the arrangement, for which the entity has little or no realistic alternative to avoid.	21.03-A 21.06-G Editorials
		[Subject to upcoming IPSASB discussion on distinguishing present obligations in December]	
BA: present obligations that are performance obligations	<i>Identifying Performance Obligations in a Binding Arrangement</i> <i>ED 70.21-29,</i> <i>Board decisions</i>	[Drafted and presented to Drafting Group in October 2021 – subject to additional revisions based on IPSASB discussion on 'present obligations' in December]	21.06-G
With BA: Executory contract principle – no recognition where an	<i>Initial Recognition of Revenue Transactions with a Binding Arrangement</i> <i>Board decision</i>	When a binding arrangement is wholly unperformed, a transfer recipient shall not recognize any asset, liability or revenue associated with the binding arrangement, unless the binding arrangement is onerous. A binding arrangement is wholly unperformed if both of the following conditions are met:	21.04-A

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
arrangement is wholly unperformed		<p>(a) The transfer recipient has not yet fulfilled any of its stated obligations in the binding arrangement; and</p> <p>(b) The transfer provider has not yet paid, and is not yet obligated to pay, consideration to the transfer recipient in exchange for the transfer recipient fulfilling any of its stated obligations in the binding arrangement.</p> <p>Where a binding arrangement becomes onerous, a transfer provider shall account for the expected deficit in accordance with IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i>. Paragraphs AGXX–AGXX provide additional guidance on unfulfilled binding arrangements.</p>	
Recognizing asset from inflow of resources	Analysis of the Initial Inflow of Resources <i>ED 71.31, Board decision</i>	<p>A transfer recipient may receive an inflow of resources arising from a revenue transaction before or after it begins fulfilling its present obligations or performance obligations. A transfer recipient should apply paragraphs XX-XX [ED 71.31-35, 38-40, 44 above in “Analysis of the Initial Inflow of Resources” section], and recognizes an asset arising from an inflow of resources arising from a revenue transaction without performance obligations a binding arrangement as an asset when it gains control of those resources. A transfer recipient is considered to control an inflow of resources when the definition of an asset and the recognition criteria are met.</p>	21.09-D
With BA: Existence and recognition of a liability	Existence and Recognition of a Liability <i>ED 71.16, ED 71.25-26</i>	[Pending – drafting based on Board decision from September Agenda Item 4.2.1]	
	<i>ED 71.45-46, ED 71.49-52</i>	[Pending – drafting based on Board decision from September Agenda Item 4.2.1]	
With BA: Recognition of revenue as present obligation is satisfied	Step 5: Recognition of Revenue Transactions with a Binding Arrangement <i>ED 71.53-58, ED 71.41-43</i> <i>ED 70.30-44</i>	[Pending – clarifications proposed in the December papers related to present obligations will impact how guidance from ED 70 and ED 71 related to the recognition of revenue as present or performance obligations are satisfied are presented in the final IPSAS]	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
With BA: SA/EE as examples of how to fulfill (and recognize revenue for) present obligations	ED 71.17-21	Specified Activities and Eligible Expenditures [Subject to upcoming IPSASB discussions on eligible expenditures and specified activities in December]	
With BA: Subsequent Consideration of Asset	<i>Subsequent Consideration of Asset Recognition Criteria</i> ED 71.41	A transfer recipient shall continue to assess the arrangement to determine whether the criteria for asset recognition in paragraph 40 are subsequently met.	
	ED 71.42	When an arrangement with a transfer provider within the scope of this draft Standard does not meet the criteria in paragraph 40 and a transfer recipient receives an inflow of resources from the transfer provider, the transfer recipient shall recognize the inflow received as revenue only when either of the following events has occurred: (a) The transfer recipient has no present obligation; or (b) The arrangement has been terminated and the inflow received from the transfer provider is non-refundable.	
	ED 71.43	A transfer recipient shall recognize the inflow received from a transfer provider as a liability until one of the events in paragraph 42 occurs or until the criteria in paragraph 40 are subsequently met (see paragraph 41). Depending on the facts and circumstances relating to the arrangement, the liability recognized represents the transfer recipient's present obligation to act or perform in a certain way. The liability shall be measured at the amount of inflow received from the transfer provider.	
Measurement			
With BA: intro to measurement	ED 70.45	When (or as) a performance obligation is satisfied, an entity shall recognize as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained in accordance with paragraphs 55–57) that is allocated to that performance obligation.	
With BA: Measurement of a liability	<i>Liabilities on Initial Recognition</i> ED 71.82-83	[Pending – drafting based on Board decision from September Agenda Item 4.2.1]	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
With BA: Measurement	Step 3: Determining the Transaction Price <i>ED 71.59-77</i> <i>ED 70.46-64</i>	[Pending – clarifications proposed in the December papers related to present obligations will impact how guidance from ED 70 and ED 71 related to the recognition of revenue as present or performance obligations are satisfied are presented in the final IPSAS]	
With BA: Measurement, non-cash	<i>Non-cash transfers/consideration</i> <i>ED 71.78-79</i> <i>ED 70.65-68</i>	[Pending – clarifications proposed in the December papers related to present obligations will impact how guidance from ED 70 and ED 71 related to the recognition of revenue as present or performance obligations are satisfied are presented in the final IPSAS]	
With BA: Measurement, payables	<i>Consideration Payable to a Purchaser</i> <i>ED 70.69-71</i>	[Pending – clarifications proposed in the December papers related to present obligations will impact how guidance from ED 70 and ED 71 related to the recognition of revenue as present or performance obligations are satisfied are presented in the final IPSAS]	
With BA: Measurement, allocation	Step 4: Allocating the Transaction Price <i>ED 71.80-81</i> <i>ED 70.72-85</i>	[Pending – clarifications proposed in the December papers related to present obligations will impact how guidance from ED 70 and ED 71 related to the recognition of revenue as present or performance obligations are satisfied are presented in the final IPSAS]	
With BA: Measurement, changes	<i>Changes in the Transaction Price</i> <i>ED 70.86-89</i>	[Pending – clarifications proposed in the December papers related to present obligations will impact how guidance from ED 70 and ED 71 related to the recognition of revenue as present or performance obligations are satisfied are presented in the final IPSAS]	
With BA: subsequent measurement	<i>Subsequent Measurement of Receivables</i> <i>ED 71.84-85</i>	[Subject to upcoming IPSASB discussions on receivables in 2022]	
With BA: subsequent measurement	<i>Uncertainty of Enforceability</i>	[Subject to upcoming IPSASB discussions on uncertainty of enforceability in 2022]	
Other Assets from Revenue Transactions with Binding Arrangement Costs			
Possible asset: Costs of Obtaining	<i>Incremental Costs of Obtaining a Binding Arrangement</i> <i>ED 70.90</i>	An entity shall recognize as an asset the incremental costs of obtaining a binding arrangement with a purchaser if the entity expects to recover those costs.	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
	ED 70.91	The incremental costs of obtaining a binding arrangement are those costs that an entity incurs to obtain a binding arrangement with a purchaser that it would not have incurred if the binding arrangement had not been obtained (for example, a sales commission).	
	ED 70.92	Costs to obtain a binding arrangement that would have been incurred regardless of whether the binding arrangement was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the purchaser transfer provider regardless of whether the binding arrangement is obtained.	
	ED 70.93	As a practical expedient, an entity may recognize the incremental costs of obtaining a binding arrangement as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.	
Possible asset: Costs to Fulfill	Costs to Fulfill a Binding Arrangement		
	ED 70.94	If the costs incurred in fulfilling a binding arrangement with a purchaser are not within the scope of another Standard (for example, IPSAS 12, <i>Inventories</i>, IPSAS 17, <i>Property, Plant, and Equipment</i> or IPSAS 31, <i>Intangible Assets</i>), an entity shall recognize an asset from the costs incurred to fulfill a binding arrangement only if those costs meet all of the following criteria: (a) The costs relate directly to a binding arrangement or to an anticipated binding arrangement that the entity can specifically identify (for example, costs relating to services to be provided under renewal of an existing binding arrangement or costs of designing an asset to be transferred under a specific binding arrangement that has not yet been approved); (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) The costs are expected to be recovered.	
	ED 70.95	For costs incurred in fulfilling a binding arrangement with a purchaser that are within the scope of another Standard, an entity shall account for those costs in accordance with those other Standards.	
	ED 70.96	Costs that relate directly to a binding arrangement (or a specific anticipated binding arrangement) include any of the following: (a) Direct labor (for example, salaries and wages of employees who provide the promised services directly to the a purchaser or third-party beneficiary);	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		<p>(b) Direct materials (for example, supplies used in providing the promised services to a purchaser or third-party beneficiary);</p> <p>(c) Allocations of costs that relate directly to the binding arrangement or to activities within the binding arrangement (for example, costs of management and supervision, insurance and depreciation of tools and equipment used in fulfilling the binding arrangement);</p> <p>(d) Costs that are explicitly chargeable to the purchaser transfer provider under the binding arrangement; and</p> <p>(e) Other costs that are incurred only because an entity entered into the binding arrangement (for example, payments to subcontractors).</p>	
	ED 70.97	<p>An entity shall recognize the following costs as expenses when incurred:</p> <p>(a) General and administrative costs (unless those costs are explicitly chargeable to the purchaser transfer provider under the binding arrangement, in which case an entity shall evaluate those costs in accordance with paragraph 96);</p> <p>(b) Costs of wasted materials, labor or other resources to fulfill the binding arrangement that were not reflected in the price of the binding arrangement;</p> <p>(c) Costs that relate to satisfied present or performance obligations (or partially satisfied present or performance obligations) in the binding arrangement (i.e., costs that relate to past performance fulfillment); and</p> <p>(d) Costs for which an entity cannot distinguish whether the costs relate to unsatisfied present or performance obligations or to satisfied present or performance obligations (or partially satisfied present or performance obligations).</p>	
Possible asset: amortization and impairment	<i>Amortization and Impairment</i>		
	ED 70.98	<p>An asset recognized in accordance with paragraph 90 or 94 shall be amortized on a systematic basis that is consistent with the transfer to the purchaser or third-party beneficiary of the goods or services fulfillment of the present or performance obligation to which the asset relates. The asset may relate to goods or services to be transferred under a specific anticipated binding arrangement (as described in paragraph 94(a)).</p>	
	ED 70.99	<p>An entity shall update the amortization to reflect a significant change in the entity's expected timing of transfer to the purchaser or third-party beneficiary of the goods or services the fulfillment of the present or performance obligation to which the asset relates. Such a change shall be accounted for as a change in</p>	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		accounting estimate in accordance with IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> .	
	ED 70.100	An entity shall recognize an impairment loss in surplus or deficit to the extent that the carrying amount of an asset recognized in accordance with paragraph 90 or 94 exceeds: <ul style="list-style-type: none"> (a) The remaining amount of consideration that the entity expects to receive in exchange for the goods or services for the fulfillment of the present or performance obligations to which the asset relates; less (b) The costs that relate directly to providing those goods or services fulfilling the present or performance obligations and that have not been recognized as expenses (see paragraph 96). 	
	ED 70.101	For the purposes of applying paragraph 100 to determine the amount of consideration that an entity expects to receive, an entity shall use the principles for determining the transaction price (except for the requirements in paragraphs 55–57 on constraining estimates of variable consideration) and adjust that amount to reflect the effects of the purchaser's transfer provider's credit risk.	
	ED 70.102	Before an entity recognizes an impairment loss for an asset recognized in accordance with paragraph 90 or 94, the entity shall recognize any impairment loss for assets related to the binding arrangement that are recognized in accordance with another Standard (for example, IPSAS 12, IPSAS 17 and IPSAS 31). After applying the impairment test in paragraph 100, an entity shall include the resulting carrying amount of the asset recognized in accordance with paragraph 90 or 94 in the carrying amount of the cash-generating unit to which it belongs for the purpose of applying IPSAS 26, <i>Impairment of Cash-Generating Assets</i> to that cash-generating unit.	
	ED 70.103	An entity shall recognize in surplus or deficit a reversal of some or all of an impairment loss previously recognized in accordance with paragraph 100 when the impairment conditions no longer exist or have improved. The increased carrying amount of the asset shall not exceed the amount that would have been determined (net of amortization) if no impairment loss had been recognized previously.	
Application of Principles and Requirements to Specific Transfers			
Specific Transfers	Application of Principles and Requirements to Specific Transfers		
	ED 71.107	Subject to paragraph 110, a transfer recipient shall recognize an asset in respect of transfer revenue when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
Specific Transfers – Capital Transfers	Capital Transfers		
	ED 71.108	An inflow of resources from a capital transfer that arises from a binding arrangement and is 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.	
	ED 71.109	As a transfer recipient satisfies the present obligations as set out in the binding arrangement, it shall reduce the carrying amount of the liability recognized and recognize an amount of revenue equal to that reduction.	
Specific Transfers – Services in kind	Services In-kind		
	ED 71.110	A transfer recipient may, but is not required to, recognize services in-kind as revenue and as an asset.	
	ED 71.111	Although recognition of services in-kind is not required by this draft Standard, transfer recipients are strongly encouraged to disclose services in-kind received particularly if they are integral to a transfer recipient's operations.	
	ED 71.112	Services in-kind are services provided by individuals to public sector entities for no consideration. Some services in-kind meet the definition of an asset because the transfer recipient controls a resource from which future economic benefits or service potential are expected to flow to the transfer recipient. 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 transfer recipient 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.	
	ED 71.113	Public sector entities may be transfer recipients of services in-kind under voluntary or non-voluntary schemes operated in the public interest. For example: <ul style="list-style-type: none"> (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 	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		(e) Local governments may receive the services of volunteer fire fighters.	
	ED 71.114	Some services in-kind do not meet the definition of an asset because the transfer recipient has insufficient control over the services provided. In other circumstances, the transfer recipient 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. Transfer recipients may, however, be able to measure the fair value of certain services in-kind, such as professional or other services in-kind that 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 113, the transfer recipient 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 transfer recipient would acquire if the services in-kind were not available.	
	ED 71.115	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 draft Standard does not require the recognition of services in-kind. Paragraph 133, however, strongly encourages the disclosure of qualitative information on 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 transfer recipients, the services provided by volunteers are not material in amount, but may be material by nature.	
	ED 71.116	In developing an accounting policy addressing a class of services in-kind, various factors would be considered, including the effects of those services in-kind on the financial position, performance, and cash flows of the transfer recipient. The extent to which a transfer recipient is dependent on a class of services in-kind to meet its objectives, may influence the accounting policy a transfer recipient develops regarding the recognition of assets. For example, a transfer recipient that is dependent on a class of services in-kind to meet its objectives, may be more likely to recognize those services in-kind that meet the definition of an asset and satisfy the criteria for recognition. In determining whether to recognize a class of services in-kind, the practices of similar entities operating in a similar environment are also considered.	
Specific Transfers – Pledges	Pledges		
	ED 71.117	Pledges are unenforceable promises to transfer assets to the transfer recipient in the future. Pledges do not meet the definition of an asset, because the transfer recipient is unable to control the access of the transfer provider to the future economic benefits or service potential embodied in the item pledged. Transfer recipients do not recognize pledged items as assets or revenue. If the pledged item is subsequently	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		transferred to the transfer recipient, it is recognized as a gift or donation, in accordance with paragraphs AG50–AG54. Pledges may warrant disclosure as contingent assets under the requirements of IPSAS 19.	
Specific Transfers – Advance receipts	Advance Receipts of Transfers ED 71.118	Where a transfer recipient 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 transfer recipient 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 recognized until the event that makes the transfer arrangement binding occurs, and all present obligations under the agreement are fulfilled. When (or as) that event occurs and all other conditions under the agreement are fulfilled, the liability is discharged and revenue is recognized.	
Specific Transfers – Concessionary loans	Concessionary Loans ED 71.119	Concessionary loans are loans received by a transfer recipient at below market terms. The portion of the loan that is repayable, along with any interest payments, is accounted for in accordance with IPSAS 41. A transfer recipient considers whether any difference between the transaction price (loan proceeds) and the fair value of the loan on initial recognition (see IPSAS 41) is revenue without performance obligations that should be accounted for in accordance with this draft Standard.	
	ED 71.120	Where a transfer recipient determines that the difference between the transaction price (loan proceeds) and the fair value of the loan on initial recognition is revenue without performance obligations, a transfer recipient recognizes the difference as revenue, except if a present obligation exists, for example, where specific requirements are imposed on the transferred assets by the transfer recipient result in a present obligation. Where a present obligation exists, it is recognized as a liability. As the transfer recipient satisfies the present obligation, the liability is reduced and an equal amount of revenue is recognized.	
Presentation <i>[Note: the following paragraphs merge proposed guidance from ED 70 and ED 71. The only difference between these paragraphs is terminology, which has been noted with strikethrough]</i>			
Without BA		[Pending – to consider whether we need guidance re. presenting revenue without binding arrangements separate from revenue with BA]	
With BA	ED 71.121, ED 70.104	When either party to a binding arrangement has performed, a transfer recipient shall present the binding arrangement in the statement of financial position as a transfer recipient's binding arrangement asset or a transfer recipient's binding arrangement liability, depending on the relationship between the transfer recipient's entity's	BA acc model

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		performance and the transfer provider's transfer /payment . A transfer recipient shall present any unconditional rights to a transfer /consideration separately as a receivable.	
	ED 71.122, ED 70.105	If a transfer provider transfers cash or another asset /purchaser pays consideration , or a transfer recipient /entity has a right to a transfer /consideration that is unconditional (i.e., a receivable), before the transfer recipient satisfies its present obligation /entity transfers a good or service to the purchaser or third-party beneficiary , the transfer recipient /entity shall present the binding arrangement as a transfer recipient's binding arrangement liability when the transfer /payment is made or the transfer /payment is due (whichever is earlier). A transfer recipient's binding arrangement liability is a transfer recipient's /entity's obligation to satisfy a present obligation /transfer goods or services to a purchaser or third-party beneficiary for which the transfer recipient /entity has received a transfer /consideration (or an amount of a transfer /consideration is due) from the transfer provider /purchaser .	BA acc model
	ED 71.123, ED 70.106	If a transfer recipient performs by satisfying a present obligation /by transferring goods or services to a purchaser or third-party beneficiary before the transfer /consideration is received or before the transfer /consideration is due, the transfer recipient /entity shall present the binding arrangement as a transfer recipient's binding arrangement asset, excluding any amounts presented as a receivable. A transfer recipient's binding arrangement asset is a transfer recipient's /entity's right to a transfer to satisfy a present obligation /to consideration in exchange for goods or services that the entity has transferred to a purchaser or third-party beneficiary . A transfer recipient /entity shall assess a transfer recipient's binding arrangement asset for impairment in accordance with IPSAS 41, <i>Financial Instruments</i> . An impairment of a transfer recipient's binding arrangement asset shall be measured, presented and disclosed on the same basis as a financial asset that is within the scope of IPSAS 41 (see also paragraph 140(b)).	BA acc model
	ED 71.124, ED 70.107	A receivable is a transfer recipient's /entity's right to a transfer /consideration that is unconditional. A right to a transfer /consideration is unconditional if only the passage of time is required before a transfer /payment of that consideration is due. For example, a transfer recipient /entity would recognize a receivable if it has a present right to a transfer /payment even though that amount may be subject to refund in the future. A transfer recipient /entity shall account for a receivable in accordance with IPSAS 41. Upon initial recognition of a receivable from a binding arrangement, any difference between the measurement of the receivable in accordance with IPSAS 41 and the corresponding amount of revenue recognized shall be presented as an expense (for example, as an impairment loss).	BA acc model
	ED 71.125, ED 70.108	This [draft] Standard uses the terms 'transfer recipient's binding arrangement asset' and 'transfer recipient's binding arrangement liability' but does not prohibit a transfer recipient /entity from using alternative descriptions in the statement of financial position for those items. If a transfer recipient /entity uses an alternative description for a	BA acc model

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		transfer recipient's binding arrangement asset, the transfer recipient entity shall provide sufficient information for a user of the financial statements to distinguish between receivables and transfer recipient's binding arrangement assets.	
Disclosures			
Disclosures	ED 71.126-154 ED 70.109-130	[Subject to upcoming IPSASB discussions on disclosures in 2022]	
Effective Date and Transition			
<i>[Note: the following paragraphs merge proposed guidance from ED 70 and ED 71. The only difference between these paragraphs is terminology, which has been noted with strikethrough]</i>			
Effective Date	Effective Date		
	ED 71.155, ED 70.131	A transfer recipient entity shall apply this Standard for annual financial statements covering periods beginning on or after [DD/MM/YYYY]. Earlier application is encouraged. If a transfer recipient entity applies this Standard for periods beginning before [DD/MM/YYYY], it shall disclose that fact and apply [draft] IPSAS [X] ED 70 and [draft] IPSAS [X] ED 72 at the same time.	21.10-A
	ED 71.156, ED 70.132	When a transfer recipient entity adopts the accrual basis IPSAS as defined in IPSAS 33, <i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i> for financial reporting purposes subsequent to this effective date, this Standard applies to the transfer recipient's entity's annual financial statements covering periods beginning on or after the date of adoption of IPSAS.	21.10-A
Transition	Transition		
	ED 71.157, ED 70.133	For the purposes of the transition requirements in paragraphs 158–163 (ED 70.134–140) : (a) The date of initial application is the start of the reporting period in which a transfer recipient entity first applies this [draft] Standard; and (b) A completed binding arrangement is a binding arrangement for which (i) The transfer recipient has fulfilled all the conditions identified in accordance with IPSAS 23, <i>Revenue from Non-Exchange Transactions (Taxes and Transfers)</i> ; or (ii) The entity has transferred all of the goods or services identified in accordance with IPSAS 9, <i>Revenue from Exchange Transactions</i> and IPSAS 11, <i>Construction Contracts</i> .	21.10-A
	ED 71.158, ED 70.134	A transfer recipient entity shall apply this [draft] Standard using one of the following two methods:	21.10-A

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		<p>(a) Retrospectively to each prior reporting period presented in accordance with IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>, subject to the expedients in paragraph 160 (ED 70.136); or</p> <p>(b) Retrospectively with the cumulative effect of initially applying this [draft] Standard recognized at the date of initial application in accordance with paragraphs 162–163 (ED 70.138-140).</p>	
	ED 71.159, ED 70.135	Notwithstanding the requirements of paragraph 33 of IPSAS 3, when this [draft] Standard is first applied, a transfer recipient /entity needs only present the quantitative information required by paragraph 33(f) of IPSAS 3 for the annual period immediately preceding the first annual period for which this [draft] Standard is applied (the 'immediately preceding period') and only if the transfer recipient /entity applies this [draft] Standard retrospectively in accordance with paragraph 158(a) (ED 70.134(a)). A transfer recipient /entity may also present this information for the current period or for earlier comparative periods, but is not required to do so.	21.10-A
	ED 71.160, ED 70.136	<p>A transfer recipient /entity may use one or more of the following practical expedients when applying this [draft] Standard retrospectively in accordance with paragraph 158(a) (ED 70.134(a)):</p> <p>(a) For completed binding arrangements, a transfer recipient /entity need not restate binding arrangements that:</p> <ul style="list-style-type: none"> (i) Begin and end within the same annual reporting period; or (ii) Are completed binding arrangements at the beginning of the earliest period presented. <p>(b) For completed binding arrangements that have variable consideration, a transfer recipient /entity may use the transaction price at the date the binding arrangement was completed rather than estimating variable consideration amounts in the comparative reporting periods.</p> <p>(c) For binding arrangements that were modified before the beginning of the earliest period presented, an entity transfer recipient need not retrospectively restate the binding arrangement for those modifications to a binding arrangement in accordance with paragraphs ED 70.19–20. Instead, an entity transfer recipient shall reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when:</p> <ul style="list-style-type: none"> (i) Identifying the satisfied and unsatisfied performance present obligations; (ii) Determining the transaction price; and (iii) Allocating the transaction price to the satisfied and unsatisfied performance present obligations. 	21.10-A

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		(d) For all reporting periods presented before the date of initial application, a transfer recipient entity needs not disclose the amount of the transaction price allocated to the remaining present obligations /performance obligations and an explanation of when the transfer recipient entity expects to recognize that amount as revenue (see paragraph 124).	
	ED 71.161, ED 70.137	For any of the practical expedients in paragraph 160 (ED 70.136) that a transfer recipient entity uses, the transfer recipient entity shall apply that expedient consistently to all binding arrangements within all reporting periods presented. In addition, the transfer recipient entity shall disclose all of the following information: (a) The expedients that have been used; and (b) To the extent reasonably possible, a qualitative assessment of the estimated effect of applying each of those expedients.	21.10-A
	ED 71.162, ED 70.138	If a transfer recipient entity elects to apply this [draft] Standard retrospectively in accordance with paragraph 158(b) (ED 70.134(b)), the transfer recipient entity shall recognize the cumulative effect of initially applying this [draft] Standard as an adjustment to the opening balance of accumulated surplus (or other component of net assets/equity, as appropriate) of the annual reporting period that includes the date of initial application. Under this transition method, a transfer recipient entity may elect to apply this [draft] Standard retrospectively only to binding arrangements that are not completed binding arrangements at the date of initial application (for example, January 1, 20XX for a transfer recipient with a December 31 year-end).	21.10-A
	ED 70.139	An entity applying this [draft] Standard retrospectively in accordance with paragraph 134(b) may also use the practical expedient described in paragraph 136(c), either: (a) For all modifications to a binding arrangement that occur before the beginning of the earliest period presented; or (b) For all modifications to a binding arrangement that occur before the date of initial application. If an entity uses this practical expedient, the entity shall apply the expedient consistently to all binding arrangements and disclose the information required by paragraph 137.	21.10-A
	ED 71.163, ED 70.140	For reporting periods that include the date of initial application, a transfer recipient entity shall provide both of the following additional disclosures if this [draft] Standard is applied retrospectively in accordance with paragraph 158(b) (ED 70.134(b)): (a) The amount by which each financial statement line item is affected in the current reporting period by the application of this [draft] Standard as compared to IPSAS 9, IPSAS 11, and IPSAS 23; and (b) An explanation of the reasons for significant changes identified.	21.10-A

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
Transition – Withdrawal of IPSAS 23 (2006)	Withdrawal of Other Standards ED 71.164, ED 70.141	<p>This [draft] Standard supersedes the following Standards:</p> <ul style="list-style-type: none"> (a) IPSAS 9, <i>Revenue from Exchange Transactions</i>, issued in 2001; and (b) IPSAS 11, <i>Construction Contracts</i>, issued in 2001; and (c) IPSAS 23, <i>Revenue from Non-Exchange Transactions (Taxes and Transfers)</i> issued in 2006. <p>IPSAS 9, IPSAS 11, and IPSAS 23 (2006) remain applicable until [draft] IPSAS [X] is applied or becomes effective, whichever is earlier.</p>	21.10-A

Application Guidance

Purpose	Sources	Draft Guidance	Related Board discussion
Application Guidance			
AGs – introduction	ED 71.AG1	<p>This Appendix is an integral part of [draft] IPSAS [X].</p> <p>[Order of the list below may change based on the final revised ordering in core text]</p> <p>This Application Guidance is organized into the following categories:</p> <ul style="list-style-type: none"> (a) Objective (paragraphs XX); (b) Scope (paragraphs XX); (c) Definitions (paragraphs XX); (d) Identifying the Binding Arrangement Revenue Transaction and the Existence of a Binding Arrangement (paragraphs XX); <ul style="list-style-type: none"> (i) Enforceability of Revenue Transactions with a Binding Arrangement (ii) Enforceability of Revenue Transactions without Performance Obligations Subject to Appropriations (paragraphs XX); (e) Criteria for the Five-Step Model (f) Identifying Present Obligations and Performance Obligations in a Binding Arrangement (paragraphs XX); (g) Recognition of Revenue from a Transaction with a Binding Arrangement <ul style="list-style-type: none"> (i) Performance Obligations Satisfied Over Time (paragraphs XX); (ii) Methods for Measuring Progress towards Complete Satisfaction of a Performance Obligation (paragraphs XX); (h) Measurement of Revenue from a Transaction with a Binding Arrangement <ul style="list-style-type: none"> (i) Determining the Transaction Price /Determination of Stand-alone Price, Sale with a Right of Return (paragraphs XX) (ii) Warranties (paragraphs XX); (iii) Principal Versus Agent Considerations (paragraphs XX); (iv) Purchaser Options for Additional Goods or Services (paragraphs XX); (v) Purchasers' Unexercised Rights (paragraphs XX); (vi) Non-refundable Upfront Fees (and Some Related Costs) (paragraphs XX); (i) Specific Application Issues 	21.10-A

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		<ul style="list-style-type: none"> (i) Other Transfers (paragraphs XX) (ii) Measurement of Transferred Assets (paragraphs XX); (iii) Debt Forgiveness and Assumptions of Liabilities (paragraphs XX); (iv) Fines (paragraphs XX); (v) Bequests (paragraphs XX); (vi) Gifts, Donations, including Goods In-kind (paragraphs XX); (vii) Breach of Terms and Conditions of a Binding Arrangement (paragraphs XX). (viii) Revenue from a Transaction with a Binding Arrangement with Performance Obligations <ul style="list-style-type: none"> a. Licensing (paragraphs XX); b. Repurchase Agreements (paragraphs XX); c. Consignment Arrangements (paragraphs XX); d. Bill-and-Hold Arrangements (paragraphs XX); e. Purchaser Acceptance (paragraphs XX); f. Subsequent Measurement of Non-Contractual Receivables (paragraphs XX); (j) Disclosure (paragraphs XX); (i) Disclosure of Disaggregated Revenue (paragraphs XX). 	
Objective (see paragraphs XX)			
Objective	ED 71.AG2, ED 70.AG2	<p>To meet the objective in paragraph 1, the core principle of this [draft] Standard establishes principles and requirements for how a transfer recipient:</p> <ul style="list-style-type: none"> (a) Recognizes revenue from its transactions without binding arrangements or with binding arrangements; (b) Presents information about revenue and cash flows in the financial statements; and (c) Determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of revenue and cash flows arising from binding arrangements its revenue transactions. 	21.10-A
Scope (see paragraphs XX)			
Scope	ED 71.AG3, ED 71.AG4, ED 70.AG5	<p>The scope of this [draft] Standard is limited to focused on establishing principles and requirements when accounting for revenue transactions without performance obligations. Revenue may arise from transactions without performance obligations may or may not arise from a binding arrangement or with binding arrangements. This [draft] Standard applies to both types of transactions. The definitions in paragraph XX establish the key elements in applying the scope of the [draft] Standard.</p>	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		A binding arrangement without performance obligations may contain one or more present obligations, which could result in the recognition of a liability.	
	ED 71.AG5, ED 71.AG7, ED 71.AG8	[n/a – propose to delete these paragraphs, which presented the definition of a present obligation from ED 70, and which ED applied to the transaction based on whether there is a performance obligation. Clarification on the difference between performance obligations and present obligations are presented later in this AG.]	
	ED 71.AG9	While taxation is the major source of revenue for many governments, other public sector entities rely on transfers (sometimes known as grants) and other sources of funding. Therefore this [draft] Standard also addresses accounting for: <ul style="list-style-type: none"> (a) Taxes; (b) Capital transfers; and (c) Other transfers, including debt forgiveness, fines, bequests, gifts, donations, goods in-kind, services in-kind, and the off-market portion of concessionary loans received. 	
Definitions (see paragraphs XX)			
Capital Transfer	Capital Transfer		
	ED 71.AG24	This [draft] Standard defines a capital transfer as a transaction, that arises from a binding arrangement, where a transfer provider provides cash or another asset with a specification that the transfer recipient acquires or constructs a non-financial asset that will be controlled by the transfer recipient. A capital transfer does not impose a performance obligation (as defined by [draft] IPSAS [X] (ED 70)) on the transfer recipient because there is no requirement to transfer the non-financial asset acquired under the binding arrangement to either the transfer provider or a third-party beneficiary and therefore it does not meet the requirements of a performance obligation.	
Identifying the Revenue Transaction and the Existence of a Binding Arrangement			
Application of guidance: practical expedients for revenue with BAs	ED 70.AG3, <i>Moved to different location. Previously under “Objective”</i>	An entity shall consider the terms of the binding arrangement and all relevant facts and circumstances when applying this [draft] Standard. An entity shall apply this [draft] Standard, including the use of any practical expedients, consistently to binding arrangements with similar characteristics and in similar circumstances.	
	ED 70.AG4, <i>Moved to different location. Previously under “Objective”</i>	This [draft] Standard specifies the accounting for an individual binding arrangement with a purchaser that includes performance obligations . However, as a practical expedient, an entity may apply this [draft] Standard to a portfolio of binding arrangements (or performance obligations) with similar characteristics if the entity reasonably expects that the effects on the financial statements of applying this [draft] Standard to the	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		portfolio would not differ materially from applying this [draft] Standard to the individual binding arrangements (or performance obligations) within that portfolio. When accounting for a portfolio, an entity shall use estimates and assumptions that reflect the size and composition of the portfolio.	
BA	Binding Arrangement		
	<i>ED 70.AG7, Board decision</i>	The [draft] Standard is underpinned by the definition of a binding arrangement, being A binding arrangement, which is an arrangement that confers both enforceable rights and obligations on both the parties to the arrangement. In the public sector an arrangement is enforceable when the entity and the purchaser are both Each party in the binding arrangement is able to enforce their respective rights and obligations through legal or equivalent means conferred on them in the arrangement.	21.03-A Editorials
BA: Forms	<i>ED 70.AG11, ED 71.AG15</i>	Binding arrangements can be evidenced in several ways. A binding arrangement is often, but not always, in writing, in the form of a contract or documented discussions between the parties. The binding arrangement may arise from legal contracts or through other equivalent means such as statutory mechanisms (for example, through legislative or executive authority and/or cabinet or ministerial directives). Legislative or executive authority can create enforceable arrangements, similar to contractual arrangements, either on their own or in conjunction with legal contracts between the parties.	
BA: Enforceability concept		Enforceability of Revenue Transactions with a Binding Arrangement	
	<i>ED 70.AG12, ED 71.AG10, ED 70.AG7, Board decision</i>	To be within the scope of this [draft] Standard The interdependent rights and obligations in these a binding arrangements must be enforceable. Enforceability of a binding arrangement can arise from various mechanisms, so long as the mechanism(s) provide the entity with the ability to enforce the binding arrangement and hold the involved parties accountable for the satisfaction of stated obligations. An entity should determine whether an arrangement is enforceable based on whether each entity in the arrangement has the ability to enforce their rights and obligations. The entity's assessment of enforceability of a binding arrangement occurs at inception and when a significant external change indicates that there may be a change in the enforceability of that binding arrangement.	21.03-B 21.04-B 21.06-C 21.06-E Editorials
	<i>ED 70.AG8, ED 71.AG12, ED 70.AG9, ED 71.AG13, ED71.AG11, Board decision</i>	Since binding arrangements and enforcement of such arrangements can arise from various mechanisms, an entity should objectively assess all relevant factors at the transaction date to determine whether an arrangement is enforceable. In some jurisdictions, public sector entities cannot enter into legal obligations, because they are not permitted to contract in their own name, but where there are alternative processes with equivalent effect to legal arrangements (described as enforceable through equivalent means). For an arrangement to be enforceable through 'equivalent means', the presence of an enforcement mechanism	21.03-C 21.06-F Editorials

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		outside the legal system, that is similar to the force of law without being legal in nature, is required to establish the right of the transfer provider / purchaser to obligate the entity to complete the agreed obligation or be subject to remedies for non-performance non-completion. Similarly, a mechanism outside the legal systems, that is similar to the force of law without being legal in nature, is required to establish the right of the transfer recipient to obligate the transfer provider to pay the agreed consideration. Thus, an entity should identify and assess all relevant factors by considering legal or equivalent means in which the involved parties enforce each of the respective rights and obligations under the binding arrangement.	
	EG 70.AG10, ED 71.AG14, Board decision	In the public sector, an arrangement is enforceable when each of the entity and the purchaser involved parties are both is able to enforce their respective rights and obligations through legal or equivalent means various mechanisms. An arrangement is enforceable by another party through legal or equivalent means if the agreement includes: (a) Distinct Rights and obligations for both purchaser and entity (resource recipient) each involved party; and (b) Remedies for non-performance non-completion by the entity each involved party which can be enforced by the purchaser through legal or equivalent means through the identified enforcement mechanisms.	21.03-B
	Board decision	When an entity assesses the enforceability of a binding arrangement, the entity should consider how the identified mechanisms of enforceability impose implicit or explicit consequences on any party or parties that do not fulfill their agreed-upon obligation(s) in the binding arrangement, through legal or equivalent means. If the entity is not able to determine how the mechanisms of enforceability identified would in substance enable the entity to hold the other involved parties accountable for fulfilling their stated obligation(s) in cases of non-completion, then the arrangement is not enforceable and does not meet the definition of a binding arrangement.	21.06-D Editorials
	ED 70.AG16, ED 71.AG17, Board decision	Legal Enforceability arises from the compulsion by a legal system, comprising including through legal means (enforced in the courts in a jurisdiction, as well as judicial rulings and case law precedence to comply with the terms of the binding arrangement) or compliance with a binding arrangement is determined based on the principles set out in the laws and/or regulations of a jurisdiction, which through equivalent means (laws and regulations, includes including legislation, executive authority, cabinet or ministerial directives, as well as judicial rulings and case law precedence).	21.06-F

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
	ED 70.AG17, ED 71.AG18	Executive authority (sometimes called an executive order) is an authority given to a member or selected members of a government administration to create legislation without ratification by the full parliament. This may be considered a valid enforcement mechanism if such an order was issued directing an entity to transfer goods or services fulfill the agreed-upon obligations in the arrangement.	
	ED 70.AG13, ED 70.AG19, ED 71.AG20, Board decision	Other forms of enforceability by 'equivalent means' may also exist in the public sector and may be jurisdictionally specific. Cabinet or ministerial directives may create an enforcement mechanism between different government departments or different levels of government of the same government structure. For example, a directive given by a minister or government department to an entity controlled by the government to transfer goods or services fulfill the agreed-upon obligations in the arrangement may be enforceable. The key determining factor is that the purchaser each party must be able to enforce both the promises made in the entity's rights and obligations conferred on them in the binding arrangement. The purchaser Each party must have the ability and authority to compel the entity other party or parties to fulfil the promises established within the arrangement or to seek redress should these promises not be fulfilled.	21.06-D
	ED 70.AG18, ED 71.AG19	Sovereign rights are the authority to make, amend and repeal legal provisions. On its own, this authority does not establish enforceable rights and obligations for the purposes of applying this (draft) Standard. However, if the use of sovereign rights were detailed in the binding arrangement as a means of enforcing the satisfaction of performance obligations by an entity, this may result in a valid enforcement mechanism.	
	ED 70.AG20, ED 71.AG21	An entity may feel compelled to deliver on the performance obligations in a binding arrangement because of the risk that it might not receive future funding from the other party. In general, the ability to reduce or withhold future funding to which the entity is not presently entitled would not be considered a valid enforcement mechanism in the context of this (draft) Standard because there is no present obligation on the purchaser other party to provide such funding. However, if the entity was presently entitled to funding in the future through another binding arrangement, and the terms of this other binding arrangement specifically allow for a reduction in funding if other binding arrangements are breached, then the reduction in funding could be considered a valid enforcement mechanism.	Editorials
	ED 70.AG21, ED 71.AG22	When determining if a reduction of future funding would be an enforcement mechanism, the entity shall apply a judgment based on the facts and circumstances. Key factors that may indicate the purchaser would reduce future funding in the event of a breach of promises made in another binding arrangement are the purchaser's ability to reduce future funding funding and its past history of doing so.	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
	ED 70.AG23, ED 71.AG23	A statement of intent or public announcement by a purchaser (e.g., government) to spend money or deliver goods and services in a certain way is not, in and of itself, an enforceable arrangement for the purposes of this [draft] Standard. Such a declaration is general in nature and does not create a binding arrangement between a purchaser and an entity (resource recipient). An entity would need to consider whether such a public announcement gives rise to a non-legally binding (constructive) obligation under IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i> .	
	ED 70.AG24, Board decision	In some jurisdictions, specific terms and conditions may be included in arrangements that are intended to enforce the rights and obligations, but they have not been historically enforced. If past experience with a purchaser indicates that the purchaser never enforces the terms of the arrangement when breaches have occurred, then the entity may conclude that the terms of the arrangement are not substantive, and may indicate that such terms do not in substance hold the other entity accountable and therefore the arrangement is not considered enforceable. However, if the entity has no experience with the purchaser, or has not previously breached any terms that would prompt the purchaser to enforce the arrangement, and it has no evidence to the contrary, the entity would assume that the purchaser would enforce the terms, and therefore the arrangement is considered enforceable. An entity should consider any past history of enforcement as one of the relevant factors in its overall assessment of enforceability and whether the entities can objectively be held accountable for the agreed-upon rights and obligations.	21.03-E Editorials
BA: Enforceability concept, appropriations		Enforceability of Revenue Transactions Subject to Appropriations	
	Board decision	In some jurisdictions, appropriations may be included in arrangements as an explicit term or condition (either in writing, orally, or implied through customary practices). Appropriations may come in different forms and vary by jurisdiction, for example as capped funding amounts, or as a tool to rescind funding at the discretion of the transfer provider (which would be similar in substance to a unilateral termination clause without penalty). Appropriations on their own do not prove nor refute the existence of enforceability within an arrangement. An entity should consider any appropriation clauses as one of the relevant factors in its overall assessment of enforceability, in the context of their specific jurisdiction and the unique terms and conditions of each arrangement.	21.03-E
	ED 71.AG28	An appropriation is defined in IPSAS 24, <i>Presentation of Budget Information in Financial Statements</i> , as an authorization granted by a legislative body to allocate funds for purposes specified by the legislature or similar authority. In some jurisdictions, a transaction arising from a binding arrangement for a transaction	21.03-A

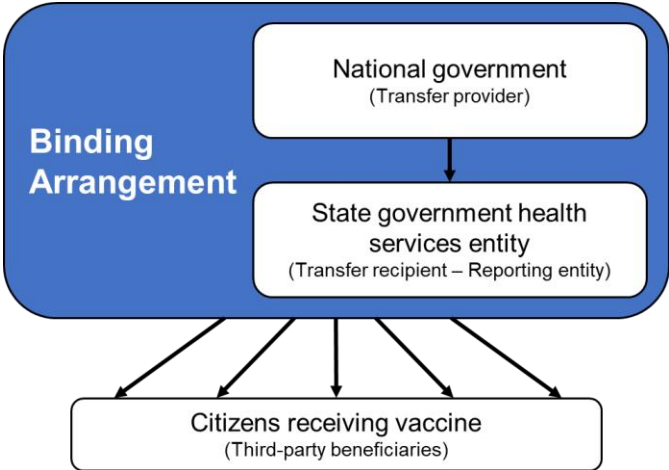
Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		without performance obligations may specify that any future transfer is subject to the appropriation being authorized.	
	ED 71.AG29	In accordance with paragraphs 36-37, a transfer provider may be prohibited from transferring the promised resources until the appropriation is authorized. In such circumstances, the transfer recipient considers whether, in substance, over form in determining whether the arrangement is enforceable because mechanisms of enforceability enable the transfer recipient has control of those resources to require the transfer provider to transfer the resources or, if the transfer provider fails to do so, enable the transfer recipient to impose consequences on the transfer provider, prior to the appropriation being authorized.	21.03-E
	ED 71.AG30	In some jurisdictions, the authorization for a transfer of resources may go through a multiple step process. For example: <ul style="list-style-type: none"> (a) The enabling authority to provide a transfer is in place, which is conveyed through approved legislation, regulations or by-laws of a transfer provider; (b) The exercise of that authority has occurred. In essence, a decision has been made by the transfer provider under the approved enabling authority that clearly demonstrates that it has lost its discretion to avoid proceeding with the transfer, for example through entering into a binding arrangement; and (c) The authority to pay is evidenced by the authorization of an appropriation. 	
	ED 71.AG31	The enabling authority together with the exercise of that authority may be sufficient for a transfer recipient to conclude that it has an enforceable right to resources in the arrangement to require the transfer provider to transfer the resources or, if the transfer provider fails to do so, to impose consequences on the transfer provider prior to the authorization of the appropriation. In such a circumstance, the limitation (that the future transfer is subject to the appropriation being authorized) does not have substance, and the transfer recipient recognizes an asset prior to the appropriation being authorized.	21.03-E
	ED 71.AG32	In other cases, the authorization of the appropriation may need to be considered in establishing when a transfer provider has lost its discretion to avoid proceeding with the transfer. In such a circumstance, the limitation (that the future transfer is subject to the appropriation being authorized) has substance, and the transfer recipient shall not recognize an asset prior to the appropriation being authorized.	21.03-E
BA: parties	Parties in a Binding Arrangement		
	<i>Board decision</i>	Arrangements in the public sector often include two or more parties. For the arrangement to meet the definition of a binding arrangement for the purposes of this Standard, at least two of the parties to the	21.03-E Editorials

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		arrangement must have their own rights and obligations conferred by the arrangement, and the ability to enforce these rights and obligations.	
	ED 70.AG25, <i>Clarify who provides resources / consideration to the entity (transfer recipient)</i>	For public sector specific transactions arising with a binding arrangement, an entity receives resources or consideration from another party. This other party is either a transfer provider that provides a good, service or other asset to another party without directly receiving any good, service or other asset in return, or a the purchaser is the party that pays consideration for the goods and services set out in a binding arrangement but is not necessarily the party that receives those goods and services. In the case of a three-party arrangement (discussed below), the purchaser has a binding arrangement with and pays consideration to the entity to deliver goods and services to a third-party beneficiary. For example, if a central government provides funding to a regional health department to conduct bone density screening for citizens over the age of 55, the central government is the purchaser and the citizens are the third-party beneficiaries. The purchaser can enforce delivery of those goods and services or seek recourse from the entity if the promises in the binding arrangement are not fulfilled.	21.10-A
Description – present obligation (at least one in each BA)	ED 70.AG13, ED 71.AG16, ED 70.AG14, <i>Board decision</i>	<p>That is, at a minimum, the entity receiving the consideration (transfer recipient) must be able to enforce the promise to receive funding (consideration), and the entity providing the funding (the purchaser or transfer</p> <pre> graph LR P["Purchaser (Transfer Provider)"] -- "Promise to provide funding Right to promised consideration" --> E["Entity (Transfer Recipient)"] E -- "Promise to fulfill obligations Right to promised consideration" --> P </pre> <p>provider) must be able to enforce fulfillment of the obligations assumed by the entity receiving the consideration. The minimum two-way enforceability in a binding arrangement is illustrated in the diagram below:</p>	21.03-E

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
	ED 70.AG22, Board decision	<p>Parties noted within a binding arrangement that do not have enforceable rights and obligations are third-party beneficiaries. Third-party beneficiaries in multi-party binding arrangements do not have any rights to force the entity to deliver goods and services because they are not a party parties to the binding arrangement. However, for these three multi-party arrangements to be within the scope of this [draft] Standard the purchaser must have the ability to force the entity to deliver goods and services to the third-party beneficiaries. In these three multi-party arrangements the resource recipient (reporting entity) is not an agent of the purchaser because the resource recipient gains control of the consideration from the purchaser and is responsible for providing goods or services to the third-party beneficiaries. This relationship is illustrated in</p>  <p>the following diagram.</p>	21.03-E Editorials
	ED 70.AG15, Board decision	While it is important that the entity receiving the funding can enforce payment of those funds, when they have a right to the funds, for the purposes of this [draft] Standard it is In assessing enforceability of an arrangement, the entity considers not only its ability to enforce its right to receive funds related to the fulfilled obligation, but also the purchaser's ability to compel the entity to deliver goods and services that creates the basis for the five-step revenue recognition model provided for in this [draft] Standard fulfill its obligations.	21.03-B
	ED 71.AG10, Board decision	Some revenue transactions within the scope of this [draft] Standard may be enforceable, but only create enforceable rights or and obligations for one party in the arrangement. These transactions do not satisfy the	21.06-A

Purpose	Sources	Draft Guidance	Related Board discussion
		requirements meet the definition of a binding arrangement for the purposes of this Standard because of the lack of two-way enforceability.	
Criteria for the Five-Step Model			
5-step model criterion: economic substance	Economic Substance		
	ED 70.AG26	An entity shall determine whether a transaction with a binding arrangement has economic substance by considering the extent to which its future cash flows or service potential is expected to change as a result of the transaction. A transaction has economic substance if: <ul style="list-style-type: none"> (a) The configuration (risk, timing, and amount) of the cash flows or service potential of the asset received differs from the configuration of the cash flows or service potential of the asset transferred; or (b) The entity-specific value of the portion of the entity's operations affected by the transaction changes as a result of the exchange; and (c) The differences in (a) and (b) are significant relative to the fair value of the assets exchanged. 	
	ED 70.AG27	For the purposes of determining whether a transaction has economic substance, the entity-specific value of the portion of the entity's operations affected by the transaction shall reflect post-tax cash flows, if tax applies. The results of these analyses may be clear without an entity having to perform detailed calculations.	
	ED 70.AG28	For the purposes of this draft Standard, economic substance includes commercial substance.	
5-step model criterion: probability of collection	Probability of Collection of Consideration to which an Entity is Entitled – Consequences of Paragraph 8(e)		
	ED 70.AG29	In some binding arrangements, entities are compelled by legislation to provide certain goods and services (such as water and electricity) to all citizens, regardless of whether the citizens have the intention or ability to pay for those goods or services. In these circumstances, when payment of the consideration, less any price concession, is not probable for delivery of the good or service to certain groups of citizens, the criterion for identifying a binding revenue arrangement in paragraph 8(e) is not met.	
	ED 70.AG30	For goods and services provided to citizens in a binding arrangement in exchange for agreed amounts of consideration, where the collection of the consideration, less any price concession, is not probable at the inception of the binding arrangement, an entity shall apply paragraphs 13 - 15 of this draft Standard.	
	ED 70.AG31	This draft Standard typically measures revenue based on the transaction price to which an entity expects to be entitled rather than the amount that it expects to ultimately collect. Revenue is adjusted for discounts, rebates, credits, price concessions, incentives, performance bonuses, penalties and similar items, but it is not reduced for impairment losses. However, where an entity is providing goods or services and accepts a lower amount of consideration from the purchaser than the price stated in the binding arrangement, the	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		acceptance of the lower amount of consideration represents an implicit price concession (see paragraphs 46 and 51(b)). The entity assesses whether this lower amount of consideration, after taking the implicit price concession into account, meets the collectability criterion in paragraph 8(e).	
Identifying Present Obligations and Performance Obligations in a Binding Arrangement			
Step 2: Present obligation	Present Obligation <i>May include</i> ED 71.AG6, ED 71.AG8, ED 71.15	[Subject to upcoming IPSASB discussion on nature, term, and definition of present obligations in December]	
Step 2: Performance obligation	Performance Obligation ED 70.AG32-42	[Drafted and presented to Drafting Group in October 2021 – subject to additional revisions based on IPSASB discussion on ‘present obligations’ in December]	21.03-G 21.03-H
With BA: Executory contract principle – no item is recognized where an arrangement is wholly unperformed	Initial Recognition of Revenue Transactions with a Binding Arrangement <i>Proposed guidance on wholly unperformed binding arrangements</i>	In accordance with paragraph XX, when a binding arrangement is wholly unperformed, a transfer recipient shall not recognize any asset, liability or revenue associated with the binding arrangement, unless the binding arrangement is onerous. A transfer recipient's rights and obligations under a wholly unperformed binding arrangement are interdependent and cannot be separated. The combined rights and obligations constitute a single asset or liability that is measured at zero. Individual rights and obligations are recognized as items (assets, liabilities and expenses depending on their nature) only as one or more parties to the binding arrangement fulfill their stated obligations. A transfer recipient shall account for these items in accordance with paragraphs XX–XX. Where parts of the binding arrangement remain equally unperformed, the transfer recipient shall not recognize any asset, liability or revenue for the equally unperformed parts of the binding arrangement. Such equally unperformed parts of the binding arrangement continue to constitute a single asset or liability that is measured at zero.	21.04-A
Recognition of Revenue from a Transaction with a Binding Arrangement			
Step 5: Satisfaction of Present and	Performance Obligations Satisfied Over Time ED 70.AG43-54	[Pending – clarifications proposed in the December papers related to present obligations will impact how guidance from ED 70 and ED 71 related to the recognition of revenue as present or performance obligations are satisfied are presented in the final IPSAS]	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
Performance Obligations			
Step 5: Satisfaction of Present and Performance Obligations – Methods	Methods for Measuring Progress towards Complete Satisfaction of a Performance Obligations <i>ED 70.AG55-60</i>	[Pending – clarifications proposed in the December papers related to present obligations will impact how guidance from ED 70 and ED 71 related to the recognition of revenue as present or performance obligations are satisfied are presented in the final IPSAS]	
Eligible Expenditure	Eligible Expenditure <i>ED 71.AG25, ED 71.AG26</i>	[Subject to upcoming IPSASB discussions on specified activities and eligible expenditures in December]	
Specified Activity	Specified Activity <i>ED 71.AG27</i>	[Subject to upcoming IPSASB discussions on specified activities and eligible expenditures in December]	
Measurement of Revenue from a Transaction with a Binding Arrangement			
Step 3	Determining the Transaction Price / Stand-alone Price <i>ED 71.AG33 ED 70.AG61-68, ED 70.AG91</i>	[Pending – clarifications proposed in the December papers related to present obligations will impact how guidance from ED 70 and ED 71 related to the recognition of revenue as present or performance obligations are satisfied are presented in the final IPSAS]	
Step 4	Warranties <i>ED 70.AG71-76</i>	[Pending – clarifications proposed in the December papers related to present obligations will impact how guidance from ED 70 and ED 71 related to the recognition of revenue as present or performance obligations are satisfied are presented in the final IPSAS]	
Step 4	Principal Versus Agent Considerations <i>ED 70.AG77-85</i>	[Pending – clarifications proposed in the December papers related to present obligations will impact how guidance from ED 70 and ED 71 related to the recognition of revenue as present or performance obligations are satisfied are presented in the final IPSAS]	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
Step 4	Purchaser Options for Additional Goods or Services		
	ED 70.AG86-90	[Pending – clarifications proposed in the December papers related to present obligations will impact how guidance from ED 70 and ED 71 related to the recognition of revenue as present or performance obligations are satisfied are presented in the final IPSAS]	
Step 4	Purchasers' Unexercised Rights		
	ED 70.AG92-95	[Pending – clarifications proposed in the December papers related to present obligations will impact how guidance from ED 70 and ED 71 related to the recognition of revenue as present or performance obligations are satisfied are presented in the final IPSAS]	
Step 4	Non-refundable Upfront Fees (and Some Related Costs)		
	ED 70.AG96-99	[Pending – clarifications proposed in the December papers related to present obligations will impact how guidance from ED 70 and ED 71 related to the recognition of revenue as present or performance obligations are satisfied are presented in the final IPSAS]	
Specific Application Issues			
Without BA:	Other Transfers (paragraphs 107-120)		
Other Transfers	ED 71.AG34	Transfers include 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 requiring a transfer of distinct goods or services to the transfer provider or a third-party beneficiary in return, and are not taxes as defined in this draft Standard.	
	ED 71.AG35	Transfers satisfy the definition of an asset when the transfer recipient controls the resources as a result of a past event, 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 transaction price 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 transfer recipient decreases the carrying amount of the liability.	
	ED 71.AG36	A transfer recipient obtains control of transferred resources either when the resources have been transferred to the transfer recipient, or the transfer recipient has an enforceable claim against the transferor provider. Many arrangements to transfer resources become binding on all parties before the transfer of resources takes place. However, sometimes one transfer recipient promises to transfer resources, but fails to do so. Consequently, only when (a) a claim is enforceable, and (b) the transfer recipient assesses that it is probable	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		that the inflow of resources will occur, will assets, liabilities, and/or revenue be recognized. Until that time, the transfer recipient cannot exclude or regulate the access of third parties to the benefits of the resources proposed for transfer.	
	ED 71.AG37	Transfers of resources that satisfy the definition of contributions from owners will not give rise to revenue. Agreements (a) 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 (b) 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.	
	ED 71.AG38	Transfers satisfy the definition of a transaction without performance obligations because the transfer provider provides resources to the transfer recipient without requiring the transfer recipient to transfer distinct goods or services to the transfer provider or a third-party beneficiary. If an agreement requires that the transfer recipient transfer distinct goods or services to the transfer provider or a third-party beneficiary, the agreement does not give rise to a transaction without a performance obligation, but a binding arrangement with performance obligations that should be accounted for under draft IPSAS [X] (ED 70).	
	ED 71.AG39	A transfer recipient analyzes all requirements contained in an agreement to determine if it incurs a present obligation when it accepts transferred resources.	
Measurement – Determining the Transaction Price	Measurement of Transferred Assets (see paragraphs XX)		
	ED 71.AG40	As required by paragraph 59, transferred assets are measured at their transaction price as at the date of recognition. Inventories, property, plant, equipment, or investment property acquired through transactions without performance obligations are to be initially measured at their fair value as at the date of acquisition, in accordance with the requirements of paragraph 78. Financial instruments, including cash and transfers receivable that satisfy the definition of a financial instrument, and other assets, will also be measured at their transaction price as at the date of acquisition in accordance with paragraph 60 and the appropriate accounting policy.	
Debt Forgiveness and Assumptions of Liabilities	Debt Forgiveness and Assumptions of Liabilities		
	ED 71.AG41	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.	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
	<i>ED 71.AG42</i>	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.	
	<i>ED 71.AG43</i>	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 7-8.	
	<i>ED 71.AG44</i>	Revenue arising from debt forgiveness is measured at the carrying amount of the debt forgiven.	
Fines	Fines		
	<i>ED 71.AG45</i>	AG45. Fines are economic benefits or service potential received or receivable by a public sector transfer recipient, 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 and/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.	
	<i>ED 71.AG46</i>	AG46. 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 33. As noted in paragraph 12, where a transfer recipient collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity. Assets arising from fines are measured at the best estimate of the inflow of resources to the transfer recipient.	
Bequests	Bequests		
	<i>ED 71.AG47</i>	A bequest is a transfer of resources 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 transfer recipient has an enforceable claim, for example on the death of the testator, or the granting of probate, depending on the laws and/or regulations of the jurisdiction.	
	<i>ED 71.AG48</i>	Bequests that 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 transfer recipient, and the transaction price 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 transfer recipient receiving any assets. The transfer recipient will need to determine if the deceased person's	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		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 transfer recipient.	
	ED 71.AG49	The transaction price of bequeathed assets is determined in the same manner as for gifts and donations, as is described in paragraph AG52. In jurisdictions where deceased estates are subject to taxation, the tax authority may already have determined the transaction price of the asset bequeathed to the transfer recipient, and this amount may be available to the transfer recipient. Bequests are measured at the transaction price of the resources received or receivable.	
Gifts, Donations, including Goods In-Kind	Gifts, Donations, including Goods In-kind (paragraphs XX)		
	ED 71.AG50	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 requirements. The transfer provider may be an 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 110-116.	
	ED 71.AG51	Goods in-kind are tangible assets transferred to a transfer recipient in a transaction without performance obligations, but may be subject to specified activities. External assistance provided by multilateral or bilateral development organizations often includes a component of goods in-kind.	
	ED 71.AG52	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 transfer recipient and the transaction price 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 transfer recipient.	
	ED 71.AG53	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 with no binding arrangement, revenue is recognized immediately. If specified activities are required under the binding arrangement, a liability is recognized, which is reduced and revenue recognized, as the specified activities are completed.	
	ED 71.AG54	On initial recognition, gifts and donations including goods in-kind are measured at their transaction price, being its 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 transaction	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		price 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.	
Breach of BA		Breach of Terms and Conditions of a Binding Arrangement	
	ED 71.AG58	The accounting treatment of a breach of the terms and conditions of a binding arrangement depends on: <ul style="list-style-type: none"> (a) Whether the arrangement gave rise to a present obligation or not; (b) When the breach occurred—i.e., whether it was in the period in which the breach is discovered or in a prior period; and (c) The reason for the breach. 	
	ED 71.AG59	If the breach occurs in the current period and is identified before the authorization of the financial statements for issue, the transfer recipient will recognize a liability for the amount to be refunded to the transfer provider and derecognize any revenue recognized during the reporting period.	
	ED 71.AG60	Where the breach is determined to have occurred in a prior period, the accounting treatment will be decided by assessing whether the breach has resulted in a: <ul style="list-style-type: none"> (a) Change in accounting estimate as defined in IPSAS 3, Accounting Policies, Changes in Accounting Estimates, and Errors. Accounting estimates are used where items in financial statements cannot be measured with precision and judgement may be required in measuring those items as described in IPSAS 3; (b) Prior period error which has arisen from a failure to use, or from the misuse of, faithfully representative information that was available when the financial statements for the period were authorized for issue or could reasonably be expected to have been obtained; or (c) Separate past event because the amount recognized in prior period financial statements is not an estimated amount and was based on the use of faithfully representative information available at the date of the approval of the financial statements for the relevant reporting period. 	
Specific Application		Revenue from a Transaction with a Binding Arrangement with Performance Obligations	
Issues for Revenue with Performance obligations	ED 70.AG100	Licensing A license establishes a purchaser's rights to the intellectual property of an entity. Licenses of intellectual property may include, but are not limited to, licenses of any of the following: <ul style="list-style-type: none"> (a) Software and technology; (b) Motion pictures, music and other forms of media and entertainment; 	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		<ul style="list-style-type: none"> (c) Franchises; and (d) Patents, trademarks and copyrights. 	
	ED 70.AG101	In addition to a promise to grant a license (or licenses) to a purchaser, an entity may also promise to transfer other goods or services to the purchaser or third-party beneficiary. Those promises may be explicitly stated in the binding arrangement or implied by an entity's customary practices, published policies or specific statements (see paragraph 23). As with other types of binding arrangements, when a binding arrangement with a purchaser includes a promise to grant a license (or licenses) in addition to other promised goods or services, an entity applies paragraphs 21–29 to identify each of the performance obligations in the binding arrangement.	
	ED 70.AG102	<p>If the promise to grant a license is not distinct from other promised goods or services in the binding arrangement in accordance with paragraphs 25–29, an entity shall account for the promise to grant a license and those other promised goods or services together as a single performance obligation. Examples of licenses that are not distinct from other goods or services promised in the binding arrangement include the following:</p> <ul style="list-style-type: none"> (a) A license that forms a component of a tangible good and that is integral to the functionality of the good; and (b) A license that the purchaser or third-party beneficiary can generate economic benefits or service potential from only in conjunction with a related service (such as an online service provided by the entity that enables, by granting a license, the purchaser or third-party beneficiary to access content). 	
	ED 70.AG103	If the license is not distinct, an entity shall apply paragraphs 30–37 to determine whether the performance obligation (which includes the promised license) is a performance obligation that is satisfied over time or satisfied at a point in time.	
	ED 70.AG104	<p>If the promise to grant the license is distinct from the other promised goods or services in the binding arrangement and, therefore, the promise to grant the license is a separate performance obligation, an entity shall determine whether the license transfers to a purchaser or third-party beneficiary either at a point in time or over time. In making this determination, an entity shall consider whether the nature of the entity's promise in granting the license to a purchaser or third-party beneficiary is to provide the purchaser with either:</p> <ul style="list-style-type: none"> (a) A right to access the entity's intellectual property as it exists throughout the license period; or 	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		(b) A right to use the entity's intellectual property as it exists at the point in time at which the license is granted.	
		<i>Determining the Nature of the Entity's Promise</i>	
	ED 70.AG105	<p>The nature of an entity's promise in granting a license is a promise to provide a right to access the entity's intellectual property if all of the following criteria are met:</p> <ul style="list-style-type: none"> (a) The binding arrangement requires, or the purchaser reasonably expects, that the entity will undertake activities that significantly affect the intellectual property to which the purchaser has rights (see paragraphs AG106 and AG107); (b) The rights granted by the license directly expose the purchaser or third-party beneficiary to any positive or negative effects of the entity's activities identified in paragraph AG105(a); and (c) Those activities do not result in the transfer of a good or a service to the purchaser or third-party beneficiary as those activities occur (see paragraph 24). 	
	ED 70.AG106	Factors that may indicate that a purchaser could reasonably expect that an entity will undertake activities that significantly affect the intellectual property include the entity's customary practices, published policies or specific statements. Although not determinative, the existence of a shared economic interest (for example, a sales-based royalty) between the entity and the purchaser related to the intellectual property to which the purchaser has rights may also indicate that the purchaser could reasonably expect that the entity will undertake such activities.	
	ED 70.AG107	<p>An entity's activities significantly affect the intellectual property to which the purchaser has rights when either:</p> <ul style="list-style-type: none"> (a) Those activities are expected to significantly change the form (for example, the design or content) or the functionality (for example, the ability to perform a function or task) of the intellectual property; or (b) The ability of the purchaser to obtain economic benefits or service potential from the intellectual property is substantially derived from, or dependent upon, those activities. For example, the economic benefits or service potential from a brand is often derived from, or dependent upon, the entity's ongoing activities that support or maintain the value of the intellectual property. <p>Accordingly, if the intellectual property to which the purchaser has rights has significant stand-alone functionality, a substantial portion of the economic benefits or service potential of that intellectual property is derived from that functionality. Consequently, the ability of the purchaser or third-party beneficiary to obtain economic benefits or service potential from that intellectual property would not be significantly affected by the entity's activities unless those activities significantly change its form or functionality. Types of intellectual</p>	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		property that often have significant stand-alone functionality include software, biological compounds or drug formulas, and completed media content (for example, films, television shows and music recordings).	
	ED 70.AG108	If the criteria in paragraph AG105 are met, an entity shall account for the promise to grant a license as a performance obligation satisfied over time because the purchaser or third-party beneficiary will simultaneously receive and consume the economic benefits or service potential from the entity's performance of providing access to its intellectual property as the performance occurs (see paragraph 34(a)). An entity shall apply paragraphs 38–44 to select an appropriate method to measure its progress towards complete satisfaction of that performance obligation to provide access.	
	ED 70.AG109	If the criteria in paragraph AG105 are not met, the nature of an entity's promise is to provide a right to use the entity's intellectual property as that intellectual property exists (in terms of form and functionality) at the point in time at which the license is granted to the purchaser. This means that the purchaser can direct the use of, and obtain substantially all of the remaining economic benefits or service potential from, the license at the point in time at which the license transfers. An entity shall account for the promise to provide a right to use the entity's intellectual property as a performance obligation satisfied at a point in time. An entity shall apply paragraph 37 to determine the point in time at which the license transfers to the purchaser or third-party beneficiary. However, revenue cannot be recognized for a license that provides a right to use the entity's intellectual property before the beginning of the period during which the purchaser or third-party beneficiary is able to use and to derive the economic benefits or service potential from the license. For example, if a software license period begins before an entity provides (or otherwise makes available) to the purchaser or third-party beneficiary a code that enables the purchaser or third-party beneficiary to immediately use the software, the entity would not recognize revenue before that code has been provided (or otherwise made available).	
	ED 70.AG110	An entity shall disregard the following factors when determining whether a license provides a right to access the entity's intellectual property or a right to use the entity's intellectual property: <ul style="list-style-type: none"> (a) Restrictions of time, geographical region or use—those restrictions define the attributes of the promised license, rather than define whether the entity satisfies its performance obligation at a point in time or over time. (b) Guarantees provided by the entity that it has a valid patent to intellectual property and that it will defend that patent from unauthorized use—a promise to defend a patent right is not a performance obligation because the act of defending a patent protects the value of the entity's 	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		intellectual property assets and provides assurance to the purchaser that the license transferred meets the specifications of the license promised in the binding arrangement.	
		<i>Sales-Based or Usage-Based Royalties</i>	
	ED 70.AG111	Notwithstanding the requirements in paragraphs 55–58, an entity shall recognize revenue for a sales-based or usage-based royalty promised in exchange for a license of intellectual property only when (or as) the later of the following events occurs: (a) The subsequent sale or usage occurs; and (b) The performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied).	
	ED 70.AG112	The requirement for a sales-based or usage-based royalty in paragraph AG111 applies when the royalty relates only to a license of intellectual property or when a license of intellectual property is the predominant item to which the royalty relates (for example, the license of intellectual property may be the predominant item to which the royalty relates when the entity has a reasonable expectation that the purchaser would ascribe significantly more value to the license than to the other goods or services to which the royalty relates).	
	ED 70.AG113	When the requirement in paragraph AG112 is met, revenue from a sales-based or usage-based royalty shall be recognized wholly in accordance with paragraph AG111. When the requirement in paragraph AG112 is not met, the requirements on variable consideration in paragraphs 49–58 apply to the sales-based or usage-based royalty.	
		<i>Repurchase Agreements</i>	
	ED 70.AG114	A repurchase agreement is a binding arrangement in which an entity provides an asset and also promises or has the option (either in the same binding arrangement or in another binding arrangement) to repurchase the asset. The repurchased asset may be the asset that was originally provided to the purchaser, an asset that is substantially the same as that asset, or another asset of which the asset that was originally provided is a component.	
	ED 70.AG115	Repurchase agreements generally come in three forms: (a) An entity's obligation to repurchase the asset (a forward); (b) An entity's right to repurchase the asset (a call option); and (c) An entity's obligation to repurchase the asset at the purchaser's request (a put option).	
		<i>A Forward or a Call Option</i>	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
	ED 70.AG116	<p>If an entity has an obligation or a right to repurchase the asset (a forward or a call option), a purchaser does not obtain control of the asset because the purchaser is limited in its ability to direct the use of, and obtain substantially all of the remaining economic benefits or service potential from, the asset even though the purchaser or third-party beneficiary may have physical possession of the asset. Consequently, the entity shall account for the binding arrangement as either of the following:</p> <ul style="list-style-type: none"> (a) A lease in accordance with IPSAS 13, Leases if the entity can or must repurchase the asset for an amount that is less than the original price of the asset; or (b) A financing arrangement in accordance with paragraph AG118 if the entity can or must repurchase the asset for an amount that is equal to or more than the original price of the asset. 	
	ED 70.AG117	When comparing the repurchase price with the price, an entity shall consider the time value of money.	
	ED 70.AG118	If the repurchase agreement is a financing arrangement, the entity shall continue to recognize the asset and also recognize a financial liability for any consideration received from the purchaser. The entity shall recognize the difference between the amount of consideration received from the purchaser and the amount of consideration to be paid to the purchaser as interest and, if applicable, as processing or holding costs (for example, insurance).	
	ED 70.AG119	If the option lapses unexercised, an entity shall derecognize the liability and recognize revenue.	
		<i>A Put Option</i>	
	ED 70.AG120	If an entity has an obligation to repurchase the asset at the purchaser's request (a put option) at a price that is lower than the original price of the asset, the entity shall consider at the inception of the binding arrangement whether the purchaser has a significant economic incentive to exercise that right. The purchaser's exercising of that right results in the purchaser effectively paying the entity consideration for the right to use a specified asset for a period of time. Therefore, if the purchaser has a significant economic incentive to exercise that right, the entity shall account for the agreement as a lease in accordance with IPSAS 13.	
	ED 70.AG121	To determine whether a purchaser has a significant economic incentive to exercise its right, an entity shall consider various factors, including the relationship of the repurchase price to the expected market value of the asset at the date of the repurchase and the amount of time until the right expires. For example, if the repurchase price is expected to significantly exceed the market value of the asset, this may indicate that the purchaser has a significant economic incentive to exercise the put option.	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
	ED 70.AG122	If the purchaser does not have a significant economic incentive to exercise its right at a price that is lower than the original price of the asset, the entity shall account for the agreement as if it were the sale of a product with a right of return as described in paragraphs AG61–AG68.	
	ED 70.AG123	If the repurchase price of the asset is equal to or greater than the original price and is more than the expected market value of the asset, the binding arrangement is in effect a financing arrangement and, therefore, shall be accounted for as described in paragraph AG118.	
	ED 70.AG124	If the repurchase price of the asset is equal to or greater than the original price and is less than or equal to the expected market value of the asset, and the purchaser does not have a significant economic incentive to exercise its right, then the entity shall account for the agreement as if it were the sale of a product with a right of return as described in paragraphs AG61–AG68.	
	ED 70.AG125	When comparing the repurchase price with the price, an entity shall consider the time value of money.	
	ED 70.AG126	If the option lapses unexercised, an entity shall derecognize the liability and recognize revenue.	
		<i>Consignment Arrangements</i>	
	ED 70.AG127	When an entity delivers a product to another party (such as a dealer or a distributor) for sale to end purchasers, the entity shall evaluate whether that other party has obtained control of the product at that point in time. A product that has been delivered to another party may be held in a consignment arrangement if that other party has not obtained control of the product. Accordingly, an entity shall not recognize revenue upon delivery of a product to another party if the delivered product is held on consignment.	
	ED 70.AG128	Indicators that an arrangement is a consignment arrangement include, but are not limited to, the following: (a) The product is controlled by the entity until a specified event occurs, such as the sale of the product to a purchaser of the dealer or until a specified period expires; (b) The entity is able to require the return of the product or transfer the product to a third party (such as another dealer); and (c) The dealer does not have an unconditional obligation to pay for the product (although it might be required to pay a deposit).	
		<i>Bill-and-Hold Arrangements</i>	
	ED 70.AG129	A bill-and-hold arrangement is a binding arrangement under which an entity bills a purchaser for a product, but the entity retains physical possession of the product until it is transferred to the purchaser or third-party beneficiary at a point in time in the future. For example, a purchaser may request an entity to enter into such	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
		a binding arrangement because of the purchaser's lack of available space for the product or because of delays in the purchaser's production schedules.	
	ED 70.AG130	An entity shall determine when it has satisfied its performance obligation to transfer a product by evaluating when a purchaser obtains control of that product (see paragraph 37). For some binding arrangements, control is transferred either when the product is delivered to the purchaser or third-party beneficiary's site or when the product is shipped, depending on the terms of the binding arrangement (including delivery and shipping terms). However, for some binding arrangements, a purchaser may obtain control of a product even though that product remains in an entity's physical possession. In that case, the purchaser has the ability to direct the use of, and obtain substantially all of the remaining economic benefits or service potential from, the product even though it has decided not to exercise its right to take physical possession of that product. Consequently, the entity does not control the product. Instead, the entity provides custodial services to the purchaser over the purchaser's asset.	
	ED 70.AG131	In addition to applying the requirements in paragraph 37, for a purchaser to have obtained control of a product in a bill-and-hold arrangement, all of the following criteria must be met: <ul style="list-style-type: none"> (a) The reason for the bill-and-hold arrangement must be substantive (for example, the purchaser has requested the arrangement); (b) The product must be identified separately as belonging to the purchaser; (c) The product currently must be ready for physical transfer to the purchaser or third-party beneficiary; and (d) The entity cannot have the ability to use the product or to direct it to another purchaser. 	
	ED 70.AG132	If an entity recognizes revenue for the sale of a product on a bill-and-hold basis, the entity shall consider whether it has remaining performance obligations (for example, for custodial services) in accordance with paragraphs 21–29 to which the entity shall allocate a portion of the transaction price in accordance with paragraphs 72–85.	
		Purchaser Acceptance	
	ED 70.AG133	In accordance with paragraph 37(e), a purchaser's acceptance of an asset may indicate that the purchaser has obtained control of the asset. Purchaser acceptance clauses may allow the purchaser to cancel a binding arrangement or require an entity to take remedial action if a good or service does not meet agreed-upon specifications. An entity shall consider such clauses when evaluating when the purchaser obtains control of a good or service.	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
	ED 70.AG134	If an entity can objectively determine that control of a good or service has been transferred to the purchaser in accordance with the agreed-upon specifications in the binding arrangement, then purchaser acceptance is a formality that would not affect the entity's determination of when the purchaser has obtained control of the good or service. For example, if the acceptance clause is based on meeting specified size and weight characteristics, an entity would be able to determine whether those criteria have been met before receiving confirmation of purchaser acceptance. The entity's experience with binding arrangements for similar goods or services may provide evidence that a good or service provided to the purchaser or third-party beneficiary is in accordance with the agreed-upon specifications in the binding arrangement. If revenue is recognized before the purchaser accepts the asset, the entity still must consider whether there are any remaining performance obligations (for example, installation of equipment) and evaluate whether to account for them separately.	
	ED 70.AG135	However, if an entity cannot objectively determine that the good or service provided to the purchaser or third-party beneficiary is in accordance with the agreed-upon specifications in the binding arrangement, then the entity would not be able to conclude that the purchaser has obtained control until the entity receives acceptance by the purchaser. That is because in that circumstance the entity cannot determine that the purchaser has the ability to direct the use of, and obtain substantially all of the remaining economic benefits or service potential from the good or service.	
	ED 70.AG136	If an entity delivers products to a purchaser or third-party beneficiary for trial or evaluation purposes and the purchaser is not committed to pay any consideration until the trial period lapses, control of the product is not transferred to the purchaser until either the purchaser accepts the product or the trial period lapses.	
		<i>Subsequent Measurement of Non-Contractual Receivables</i>	
	ED 70.AG140	After initial recognition, an entity shall subsequently measure a receivable: (a) Within the scope of IPSAS 41, Financial Instruments, as a financial asset in accordance with IPSAS 41; or (b) Not in the scope of IPSAS 41 on the same basis as a financial asset at amortized cost in accordance with IPSAS 41.	
	ED 70.AG141	Where a receivable as described in paragraph AG140(b) does not satisfy the requirements in paragraph 40 of IPSAS 41, it shall be subsequently measured at fair value. Changes in fair value are recognized in surplus or deficit.	

Agenda Item 8.3.2

Purpose	Sources	Draft Guidance	Related Board discussion
Disclosure (see paragraphs XX)			
Disclosure	ED 71.AG55- ED 71.AG57	[Subject to upcoming IPSASB discussions on disclosures in 2022]	
Disclosure –		Disclosure of Disaggregated Revenue	
Disaggregated Revenue	ED 70.137-139	[Subject to upcoming IPSASB discussions on disclosures in 2022]	

Amendments to other IPSAS

Purpose	Sources	Draft Guidance	Related Board discussion
Amendments to other IPSAS			
		[Pending]	

Basis for Conclusions

Purpose	Sources	Draft Guidance	Related Board discussion
Basis for Conclusions			
		[Pending]	

Illustrative Examples

Purpose	Sources	Draft Guidance	Related Board discussion
Illustrative Examples			
		[Pending]	

Supporting Document 3 – Updated Project Plans

The following updated project plans summarize the progress to date on the Revenue and Transfer Expenses projects as of December 2021, and are provided for reference purposes. The order of papers to be presented at future Board discussions is subject to change based on progress and Board discussions.

Papers presented in this Agenda Item are noted in green. Drafted guidance reviewed or being reviewed by the Drafting Group are in blue.

Appendix 1 – Revenue Project Plan

#	Issue	Principle-Related Paper	Non-Principle-Related or Drafting Paper
1	Options to Present Proposed Revenue Guidance	March Agenda Item 5.2.3	n/a
2	Clarifying Binding Arrangements	March Agenda Item 5.2.4	June Agenda Items 6.2.1 and 6.3.1
3	Distinguishing Revenue from Performance Obligations as a Separate Type of Revenue	March Agenda Item 5.2.5	In progress
4	Transactions with Components within the Scope of Both Standards	March Agenda Item 5.2.6	n/a – no longer applicable under a single IPSAS
5	Existence of a Liability in a Binding Revenue Arrangement without Performance Obligations	March Agenda Item 5.2.7	In progress
6	How Enforceability is Exercised	June Agenda Item 6.2.3	June Agenda Item 6.3.1
7	Revising and Applying the Guidance on the Definition of a Liability	June Agenda Item 6.2.4	In progress
8	Recognition and Derecognition of a Liability (Deferred Revenue) in Binding Arrangements	September Agenda Item 4.2.1	In progress
9	Considering the Purpose and Benefits of the Drafting Group	n/a	September Agenda Item 4.2.5
10	Draft IPSAS based on the Exposure Drafts (EDs)	n/a	September Agenda Item 4.2.6
11	Presenting Revenue Guidance in the Final IPSAS	n/a	October Agenda Item 3.2.1
12	The Concept of a 'Present Obligation' in Revenue Accounting	Agenda Item 8.2.5	pending
13	The New Term and Definition for 'Present Obligation' in the Revenue Context	Agenda Item 8.2.6	pending
14	Distinguishing Individual 'Present Obligations'	Agenda Item 8.2.7	Agenda Item 8.2.7
15	Clarifying Specified Activities and Eligible Expenditures	Agenda Item 8.2.8	pending
16	Uncertainty of enforceability as a measurement issue	pending	pending
17	Accounting for non-contractual receivables	pending	pending

Agenda Item 8.3.3

#	Issue	Principle-Related Paper	Non-Principle-Related or Drafting Paper
18	Application of proposed principles to capital grants	<i>pending</i>	<i>pending</i>
19	Reassess existing disclosures and consider any additional disclosures	<i>pending</i>	<i>pending</i>
20	Other technical comments	<i>n/a</i>	<i>pending</i>
21	Other practical considerations	<i>n/a</i>	<i>pending</i>
22	Reassess or clarify existing definitions (e.g., performance obligation, revenue, income)	<i>n/a</i>	<i>pending</i>
23	Clarify or enhance existing proposed guidance	<i>n/a</i>	<i>pending</i>
24	Add additional guidance	<i>n/a</i>	<i>pending</i>
25	Consider existing or additional examples	<i>n/a</i>	<i>pending</i>
26	Appropriate title of the future IPSAS on revenue	<i>n/a</i>	<i>pending</i>
27	Amendments to Other IPSAS	<i>n/a</i>	<i>pending</i>
28	Communications for the Release of the Final Standard(s)	<i>n/a</i>	

Appendix 2 – Transfer Expenses Project Plan

#	Issue	Principle-Related Paper	Non-Principle-Related or Drafting Paper
1	Application of the Executory Contract Approach	April Agenda Item 1.2.3	<i>Drafted – will be presented in Q4</i>
2	Binding arrangements (i.e., enforceability in the context of transfer expenses accounting)	April Agenda Item 1.2.2 , and June Agenda Item 6.2.2	June Agenda Item 6.3.2
3	Existence of an Asset in Binding Arrangements	September Agenda Item 4.2.2	<i>Planned for Q1 2022</i>
4	Clarifying the Scope of the Transfer Expenses Standard	September Agenda Item 4.2.3	September Agenda Item 4.2.3
5	Distinguishing Transfer Expenses with and without Performance Obligations	September Agenda Item 4.2.4	<i>Planned for Q1 2022</i>
6	Considering the Purpose and Benefits of the Drafting Group	<i>n/a</i>	September Agenda Item 4.2.5
7	Draft IPSAS based on the Exposure Drafts (EDs)	<i>n/a</i>	September Agenda Item 4.2.6
8	Transfer Expenses without Binding Arrangements: Clarification of Scope and Relationship with IPSAS 19 as a Consequence of Board Decisions and Instructions	Agenda Item 8.2.1	Agenda Item 8.2.1
9	Transfer Expenses without Binding Arrangements: Proposed Accounting Model	Agenda Item 8.2.2	Agenda Item 8.2.2
10	Transfer Expenses with Binding Arrangements: Proposed Accounting Model	Agenda Item 8.2.3	Agenda Item 8.2.3
11	Proposed Drafting in Response to IPSASB Instructions	Agenda Item 8.2.4	Agenda Item 8.2.4
12	Additional considerations related to the revised accounting models <ul style="list-style-type: none"> • Measurement considerations • Capital transfers • Subsequent measurement of the provider's asset • Monitoring considerations 	<i>pending</i>	<i>pending</i>
13	Reassess existing disclosures and consider any additional disclosures	<i>pending</i>	<i>pending</i>
14	Other revisions to maintain consistency with revenue standards	<i>pending</i>	<i>pending</i>
<i>multiple</i>	Other comments and clarifications	<i>pending</i>	
15	Amendments to Other IPSAS	<i>n/a</i>	<i>pending</i>
16	Communications for the Release of the Final Standard(s)	<i>n/a</i>	