Agenda Item 12: Grants and Transfers: Expense

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Grants and Transfers: Expenses

Scope – Discussions at March 2019 Meeting
(Agenda Item 12.2.1)
A transfer is a transaction in which one institutional unit provides a good, service, or asset to another unit without receiving from the latter any good, service, or asset in return as a direct counterpart.

Staff recommend:
- “Transfer” is used as the basis for the scope of ED 72
- “Transfer expense” is the term used to describe transactions
Grants and Transfers: Expenses

Scope – Research Grants
(Agenda Item 12.2.1)

- Research not provided to resource provider
  - Requirement to place research in public domain
    - Within Scope of ED 72

- Research provided to the resource provider
  - Expectation will place research in public domain
    - Outside Scope of ED 72

- Research provided to the resource provider
  - Resource provider benefits from research
START

Does the Purchaser Receive Goods/Services?

Yes

Research Grant Exception?

Outside Scope

No

Performance Obligation on Recipient?

Yes

No

ED 72

Transfer Expenses with Performance Obligations (PSPOA)

Transfer Expenses without Performance Obligations

ED 70

IFRS 15 Aligned

(e.g.) Financial Support

Transfer Revenue with Performance Obligations

ED 71

Transfer Revenue without Performance Obligations

Taxes

PSPOA

Binding arrangement and performance obligation

Binding arrangement but no performance obligation

No binding arrangement or performance obligation

Transfer Revenue
Grants and Transfers: Expenses
Definitions (1)
(Agenda Item 12.2.1)

• A **transfer expense** is a transaction in which a transfer provider provides a good, service, or asset to another entity without receiving any good, service, or asset.

• A **transfer provider** is an entity that provides resources to a transfer recipient through a transfer expense.
• A **transfer recipient** is an entity that receives resources from a transfer provider through a transfer expense.

• A **third-party beneficiary** is an entity, household or individual who will benefit from a transaction made between two other parties by receiving assets, goods or services.
Grants and Transfers: Expenses

Subsidies or Premiums (1)
(Agenda Item 12.2.2)

Government → Organization → Public

Subsidy → Fair Value → Accounting?

Payment → Services
Subsidies or Premiums (2) (Agenda Item 12.2.2)

Expense
- No Guidance – Onerous Contract
- Class as Subsidy - Guidance
- With PSPOA – Guidance

Subsidy
- Separate Component
- With PSPOA

Revenue
- Class as Subsidy - Guidance
- With PSPOA – Guidance
Grants and Transfers: Expenses

Subsidies or Premiums (2) (Agenda Item 12.2.2)

The IPSASB is asked to support the following staff recommendations:

Option 3 (recognize expense in accordance with the PSPOA) be used in accounting for subsidies or premiums for expense transactions;

Option 2 (recognize revenue in accordance with the PSPOA) be used in accounting for subsidies or premiums for revenue transactions, noting that the use of consistent options for expenses and revenue is likely to be beneficial for preparers; and

The term “financial support” to be used in describing subsidies or premiums.
Grants and Transfers: Expenses

Additional Material to be Included in ED 72 (Agenda Item 12.2.3)

**Levies**
- Does the IPSASB wish to exclude liabilities arising from emission trading schemes from this requirement?

**Budget appropriations**
- Does the IPSASB support the staff recommendation that where a binding arrangement is dependent on future appropriations, a liability (and corresponding asset) can only arise in respect of the current year?

**Subsequent measurement of non-contractual payables**
The IPSASB is asked to indicate whether it supports the staff recommendations regarding the examples, or whether:

• Some examples recommended for omission should be retained;
• Additional examples should be omitted; and/or
• Additional examples should be developed.