



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

545 Fifth Avenue, 14th Floor Tel: (212) 286-9344
New York, New York 10017 Fax: (212) 286-9570
Internet: <http://www.ifac.org>

**Agenda Item
5**

DATE: October 15, 2008
MEMO TO: Members of the IPSASB
FROM: John Stanford
SUBJECT: Analysis of Submissions on ED 34: “Social Benefits: Disclosure of Cash Transfers to Individuals or Households” and Consultation Paper “Social Benefits: Issues in Recognition and Measurement”

ACTION REQUIRED

The Committee is asked to:

- **Note** the submissions on ED 34, “Social Benefits: Disclosure of Cash Transfers and the Staff summary and analysis of those submissions;
- **Review and agree** the Staff proposals in response to issues raised by respondents and the Staff proposal for further development of this project;
- **Note** the submissions on the Consultation Paper, “Social Benefits: Issues in Recognition and Measurement”, the Staff summary and analysis and proposals for further work on the recognition and measurement of expenses and liabilities arising from social benefits.

AGENDA MATERIAL

- 5.1 Summary of Submissions: ED 34
- 5.2 Summary of Submissions: Consultation Paper
- 5.3 Submissions (*issued previously on intranet*)
- 5.4 ED 34, “Social Benefits: Disclosure of Cash Transfers” (*issued previously on website*)
- 5.5 Consultation Paper, “Social Benefits: Issues in Recognition and Measurement” (*issued previously on website*)
- 5.6 Project Brief, “Long-Term Fiscal Sustainability” (*issued previously on website*)

BACKGROUND

The IPSASB issued ED 34, “Social Benefits: Disclosure of Cash Transfers” and the Consultation Paper, “Social Benefits: Issues in Recognition and Measurement” in February 2008. Comments were requested by July 15th 2008. As at September 30th 2008, 30 submissions had been received. If additional responses are received they will be made available to members before or at the Zurich meeting. Not all responses addressed both ED 34 and the Consultation Paper.

Summaries of submissions are included at Agenda Items 5.1 and 5.2. The responses to both ED 34 and the Consultation Paper are numbered sequentially. Because some responses only addressed one of the documents, in the summaries at Agenda Items 5.1 and 5.2 responses have different numbers. As with all summaries and analyses, judgment

has been necessary in clarifying responses and drawing out major points made by respondents. The analysis in this memorandum and the summaries should therefore be read in conjunction with the submissions themselves. The percentages provided in the summaries in Agenda Items 5.1 and 5.2 are of those expressing a view. Members are asked to be aware that a majority of those expressing a view may not be a majority of all respondents and that for some Specific Matters for Comment (SMCs) a significant number of respondents did not express a view.

Respondents were also invited to comment on the project brief on Long-Term Fiscal Sustainability that was issued at the same time as the ED and Consultation Paper. Details of comments received are provided at Agenda Item 6.4 and are discussed in the memorandum at Agenda Item 6.1.

This memorandum analyzes respondents' comments on the SMCs in the ED and the Consultation Paper, and gives the staff view and, where appropriate, a staff proposal.

MEETING OBJECTIVE

At this meeting staff is seeking conformation that a Standard based on ED 34 should not be developed. Staff is also seeking confirmation of their view that further work on the recognition and measurement of social benefits should be deferred until the response to the forthcoming Consultation Paper on the second phase of the IPSASB Conceptual Framework project has been evaluated and decisions made on the definition of key elements, in particular the definition of "liabilities." An alternative approach would be to develop an ED on recognition and measurement in tandem with the second phase Conceptual Framework Consultation Paper. While this might lead to a Standard on recognition and measurement at an earlier date, Staff considers that this would be unrealistic given the timeline for publication of the second Conceptual Framework Consultation Paper and would, in any case, be premature.

Staff High Level Proposals & Action Requested:

Staff **proposes** that a Standard is not developed from ED 34. Members are asked to **confirm** this proposal or **provide** alternative directions; and
Staff **proposes** that further work on the recognition and measurement of social benefits should be deferred until the response to the forthcoming Consultation Paper on the second phase of the IPSASB Conceptual Framework project has been evaluated and decisions made on the definition of key elements. Members are asked to **confirm** this proposal.

EXPOSURE DRAFT 34, “SOCIAL BENEFITS: DISCLOSURE OF CASH TRANSFERS TO INDIVIDUALS OR HOUSEHOLDS”

OVERALL VIEW

Overall, there was a negative response to ED 34. Many respondents supported the IPSASB’s strategy for dealing with social benefits and long-term fiscal sustainability, and acknowledged the rationale for the publication of ED 34 as an interim measure. Nevertheless, there was a strong view that the IPSASB should not develop a Standard based on ED 34; 16 of the 24 respondents expressing a view opposed the ED. Some of the main reasons advanced were:

- The scope only includes current participants (those currently eligible for cash transfers) rather than future participants (those who will become eligible in future reporting periods);
- The scope only includes prospective outflows and not inflows of taxation revenue, contributions and other revenues;
- Excluding social benefits provided in the form of goods and services limits the usefulness of disclosures;
- The distinction between cash transfers and individual goods and services is one of form rather than substance;
- Largely for the above reasons, the proposed disclosures do not provide information that enables users to assess whether programs are sustainable in the future;
- The proposed approach pre-empts recognition and measurement decisions on social benefits;
- Costs associated with gathering data and preparing the projections are likely to outweigh the benefits of disclosing such information;
- IPSASB resources might be more fruitfully directed at the project on long-term fiscal sustainability and on developing recognition and measurement requirements; and
- Developing a Standard with mandatory requirements based on the ED might deter the adoption of IPSASs in some jurisdictions, due to the complexities and cost of obtaining the necessary information.

Respondent 4 expressed concerns that the ED proposes disclosure of prospective information that currently does not fall within the scope of accounting standards. In the view of this respondent the general purpose financial report (GPFR) is an ex-post financial report that generally relates to past events and the proposals are not appropriate for GPFRs. However, this respondent did support the project on long-term fiscal sustainability.

Staff View

Staff agrees with those respondents who do not favor the development of an IPSAS based on ED 34. In particular Staff is persuaded by those respondents who argued that the ED does not provide meaningful information that will enhance accountability and decision-

making and therefore that a Standard based on ED 34 will not meet the objectives of financial reporting. The deliberations of the IPSASB and the Task Force on Long-Term Fiscal Sustainability have also led to a view that disclosing projections of outflows and not disclosing projected inflows is unlikely to be useful. In addition, restricting the scope of disclosures to those who are eligible at the reporting date is likely to produce misleading information. The level of opposition to ED 34 and, at least as important, the deficiencies in the approach highlighted by respondents militate that ED 34 should not be further developed into a Standard.

Staff notes the view that prospective information should be outside the scope of GPFRs. This is primarily an issue for the objectives and scope components of the first phase Conceptual Framework project. Preliminary View 5 in the first Consultation Paper on the Conceptual Framework is that prospective information should be within the boundary of the general purpose financial statements. However, in the view of Staff, it may be premature to mandate requirements for the disclosure of prospective information prior to analyzing respondents' comments on this preliminary view. This is a further reason not to develop ED 34 into a Standard.

Staff agrees with those respondents who considered that it would be better to devote resources to the project on long-term fiscal sustainability, rather than further development of ED 34. There is obviously some risk in devoting resources to this project prior to analysis of the response to the first Conceptual Framework Consultation Paper, but the IPSASB was aware of this potential tension when the project was initiated. The decision to initiate that project received strong support.

Although the Staff proposal is not to proceed with development of an IPSAS based on ED 34, some of the issues raised by respondents have wider relevance to the future development of accounting requirements for social benefits. These principally relate to the definitions and the relation between cash transfers to individuals or households and individual goods and services and include:

- Circularity of the definitions of social benefits and individual goods and services;
- Differences between some of the definitions in ED 34 and those in the Government Financial Statistics Manual 2001 (GFSM 2001); and
- A view that the distinction between cash transfers and individual goods and services is one of form rather than substance and that this may lead to illogical accounting treatments.

If members accept the high level Staff proposal not to proceed with development of a Standard based on ED 34, Staff suggests that discussion should focus on those aspects of the ED proposals that would be relevant to further work on recognition and measurement.

SPECIFIC MATTERS FOR COMMENT (SMCS)

ED 34 identified 6 SMCs on which the IPSASB indicated that it would particularly welcome comments. An overview of the responses to each SMC follows.

Specific Matter for Comment 1

The scope of this ED is appropriate (paragraphs 2–8). If you do not think that the scope is appropriate please detail how you would modify the scope. Please state your reasons.

Most respondents did not support the scope. Views generally mirrored the general position on the ED. Respondents 1, 4, 9, 10, 19 and 21, 24 were uneasy about the distinction between cash transfers and individual goods and services and, as highlighted above, felt that this reflected an erroneous elevating of form over substance resulting in accounting treatments inappropriately dictated by the form in which resources are transferred. For these respondents the limitation of the scope to cash transfer programs risked similar programs being treated differently. A few respondents (e.g., Respondent 1) also felt that this might lead to manipulation with entities electing to deliver resources in the form of goods and services rather than cash in order to avoid disclosure.

Respondent 1 sought more clarity on the application of ED 34 at individual entity level and on the approach to administering entities. Respondent 21 also sought clarification whether the ED should be applied to consolidated financial statements or to separate entity statements. Commenting from the perspective of a supra-national economic entity Respondent 25 considered that the scope might “unintentionally capture entities operating cash transfers programs that do not warrant the separate disclosures.”

Staff View

Staff shares the views of those respondents who questioned the distinction between individual goods and services and cash transfers and therefore the scope limitation to the latter. This has been a pervasive concern of Staff and some Members and Technical Advisors throughout the development of this project. The distinction between cash transfers and individual goods and services is one of form rather than substance and is not conducive to an enhancement of accountability. This issue is considered further in SMC 2 and the analysis of the Consultation Paper.

The ED proposals were not restricted to consolidated financial statements. In the view of Staff it would probably be onerous to require all entities to apply the proposals in the ED. Obviously this will no longer be a relevant issue if the main Staff proposal is accepted. However, the question is relevant to the long-term fiscal sustainability project. The issue of administering authorities will not be directly relevant if the staff proposal not to develop the ED into a Standard is accepted. Respondent 25’s reservations are addressed in SMC 2 below.

Staff Proposal & Action Requested:

Staff **proposes** that in developing proposals on the recognition and measurement of social benefits the distinction between cash transfers and individual goods and services is eliminated. Members are asked to **confirm** this proposal.

Specific Matter for Comment 2

The new definitions in this ED at paragraph 10 are sufficiently clear and comprehensive. If you disagree, please indicate (a) how these definitions should be modified and (b) which new terms should be defined. Please state your reasons.

Most respondents supported the new definitions. Respondents 1 and 4 and 17 considered that the definitions of “individual goods and services” and “social benefits” were not logical as they each refer to the other. Respondent 4 also considered that the distinction between the three categories of social benefits, and, in particular, between collective and individual goods and services may not be clear, although the same respondent suggested that that this would not matter if the principles governing the accounting are clear. Respondent 10 questioned why the definitions differed slightly from equivalent definitions in GFSM 2001 and suggested that these be reconsidered.

Respondent 6 considered that the term “goods and services” could lead to confusion with exchange transactions and recommended that different terminology should be used, although no suggestion as to a form of words was advanced.

Respondent 9 supported the definitions but questioned whether concessional (soft) loans being addressed in the Financial Instruments project might give rise to subsidies within the scope of the ED. This respondent considered that such subsidies would be within the definition of social benefits if the loan was made to individuals or households, but not to other entities.

Respondent 13 found the definitions clear and comprehensive apart from “threshold eligibility criteria”. This respondent argued that the definition of “threshold eligibility criteria” should refer to “minimum” criteria rather than “all” criteria.

Respondent 16 reiterated a view, consistent with that previously expressed on non-exchange revenue, that tax expenses should not be within the definition of a cash transfer.

Respondent 19 considered that the demarcation line between cash transfers and individual goods and services is blurred. As noted at SMC 1, this respondent suggested the adoption of only two sub-categories of social benefits- collective goods and services and individual goods and services.

Respondent 23 considered the definitions of social risk to be very broad and thought that evaluating the welfare of individuals and households on a country-by-country basis would be difficult and might vary. Respondent 1 also considered that the term “welfare” in the definition of “social risk” could be subject to different interpretations. Respondent 17 highlighted potential overlaps between “social risk” and insurance risk” covered by IFRS 4, “Insurance Contracts.”

Respondent 24 highlighted some clumsy drafting in the definition of “social benefits” and suggested that present value might be a defined term.

Respondent 25 proposed refinements and modifications to the definitions, commentary and Basis for Conclusions in order to ensure that discretionary payments made by international bodies are not within the scope of the ED. These would principally restrict disclosures to cash programs that have been enacted into legislation. This would avoid potentially onerous disclosures for more discretionary activities which may be of short duration.

Staff View

Staff considers that the definitions are generally robust and, with some modifications, provide a sound basis for further work on social benefits. Staff agrees with those respondents who highlighted the circularity of the definitions of social benefits and individual goods and services. Staff proposes that the definition of social benefits should be modified to: *“Social benefits are ~~cash transfers to individuals or households and collective and individual goods and services~~ resources provided to individuals or households in a non-exchange transaction to protect the entire population, or a particular segment of the population, in any jurisdiction against certain social risks.”*

Staff agrees that the definition of “threshold eligibility criteria” could be improved by the change suggested by Respondent 13: *“Threshold eligibility criteria are ~~at~~ the minimum criteria that an individual or household must satisfy when applying for a social benefit for the first time, or when reapplying for a social benefit after a period of ineligibility, in order to be entitled to individual goods and services or cash transfers.*

As indicated in the analysis of Scope at SMC1, Staff agrees that the distinction between individual goods and services and cash transfers to individuals or households has led to illogical accounting. Combining the definitions, however, is not straightforward. Staff thinks that a combined definition might be as follows: *Cash transfers and goods and services to individuals or households are social benefits, which are either provided directly in cash, expenses paid through the tax system or goods and services for individual consumption, to protect individuals or households against certain social risks.*

Staff notes the comments of Respondent 10. The definition of social benefits that has been developed in the course of this project is broader than that in GFSM 2001. GFSM 2001 defines social benefits as “transfers in cash or in kind to protect the entire population or specific segments of it against certain social risks.” The Invitation to Comment (ITC), “Accounting for Social Policies of Government” justified this by highlighting that, under the GFSM 2001 definition, social benefits in kind were limited to the transfer of goods and services through third parties and therefore did not include the direct provision of goods and services to individuals by governments. The definitions of, and distinctions between, collective goods and services and individual goods and services reflected the fact that individual goods and services have eligibility criteria, whereas collective goods and services are automatically consumed. The distinction was important in analyzing if and when present obligations arise. Paragraph BC10 of the Basis for Conclusions noted that the definition was broader, but probably could have provided a better explanation of the reason for departing from the GFSM 2001 definitions.

Staff considers that paragraphs 2 and 6 of the scope section made it clear that goods and services provided in exchange transactions are outside the scope of ED 34 and does not think that the term “goods and services” necessarily connotes exchange connotations.

Staff does not see that any new reasons have been advanced to reopen the treatment of tax expenses and tax expenditures raised by Respondent 16. This issue was extensively debated during the development of IPSAS 23, “Revenue from Non-Exchange Transactions (Taxes and Transfers).” The principles established in IPSAS 23 were that tax expenses should not be offset against tax revenue, whereas tax expenditures were to be offset. Consistent with that principle, when the tax system is used to pay benefits those benefits should be treated as within the definition of a “cash transfer to an individual or household.”

It was not the intention to include the subsidy element of a concessional loan within the scope of the ED. Staff agrees that the current definition of a cash transfer might embrace such subsidies and that, if and when, recognition and measurement is addressed consideration will need to be given to whether the subsidy element of concessional loans should be within the scope of an ED. This might depend on requirements on concessional developed in the Financial Instruments project.

Staff acknowledges the comments of Respondent 23 on the definition of “social risk” and in particular that evaluating “welfare” might be problematic. However, the definition of social risk is drawn directly from GFSM 2001 and Staff does not consider that that definition should be modified. Staff thinks that the potential overlaps between “social risk” and insurance risk” can be exaggerated; the former, unlike the latter, has a non-exchange connotation. However, the relevance of IFRS 4 might have to be considered in the future, dependent upon decisions on recognition and measurement.

The comment of Respondent 24 on whether present value should be a defined term is noted. In IPSAS 25, “Employee Benefits” the term “present value of a defined benefit obligation” is defined, as it is in IAS 19, “Employee Benefits.” Other IPSASs and IFRSs that require discounting to present value do not have “present value” as defined term e.g., IPSAS 26, “Impairment of Cash-Generating Assets” and IAS 36, “Impairment of Assets”. Staff suggests that this issue is considered if necessary in the recognition and measurement phase of the project.

The proposal of Respondent 25 to modify the definition of a “cash transfer program” to ensure that the scope only embraces cash transfer programs that have been enacted at the reporting date might enhance clarity. However, Staff does not fully understand the difficulty highlighted by Respondent 25 as programs that are likely to be curtailed shortly after the reporting date and therefore would not transfer significant resources are unlikely to be material. The revised definition would be: *A cash transfer program is a program enacted into legislation that operates to make cash transfers to an individual or household.*

Staff Proposals & Action Requested:

Staff **proposes** that;

- The definition of “social benefits” is modified to eliminate circularity with the definitions of “cash transfers to individuals” and “individual goods and services”;
- The definition of “threshold eligibility criteria” is slightly modified;
- The definitions of a “cash transfer to individuals and households” and “individual goods and services” are combined; and
- The definition of a cash transfer program is modified to require that a cash transfer program has been enacted into legislation.

Members are asked to **confirm** these proposals or **provide** alternative directions.

Specific Matter for Comment 3

The requirements for the determination of amounts expected to be transferred to eligible individuals or households are appropriate (paragraphs 30–44). If you do not think that they are appropriate please indicate what those requirements should be.

Please state your reasons.

A majority of respondents did not favour the approach to the determination of amounts expected to be transferred to eligible individuals and households. The response largely reflected the overall view on the ED and views on scope analyzed above. Many of the reasons have been highlighted above and include views that the requirements:

- Do not include projected inflows related to the cash transfer programs;
- Only deal with outflows for cash transfer programs; and
- Only require the disclosure of outflows for those who have satisfied threshold eligibility criteria at the reporting date.

Respondent 5 was amongst those that argued strongly against disclosures in the financial statements. This respondent argued in favor of a liability notion based on the principles of IPSAS 23 and considered that the focus for prospective information should be on long-term fiscal sustainability reporting. Respondent 19 argued that the amounts determined under the approach proposed in paragraphs 30-44 were really liabilities and should be disclosed as such.

Respondent 21 agreed that the discount rate to discount outflows to present value should reflect the time value of money, but disagreed that this was best represented by reference to market yields on government bonds or high quality corporate bonds. Respondent 1 also strongly disagreed with the proposed discount rate and felt that this would lead to unnecessary volatility in amounts disclosed. Neither respondent proposed a specific alternative. Respondent 23 agreed with the approach, but also highlighted the risk of volatility and felt it appropriate to use an average long-term rate rather than a spot rate.

Staff View

Staff considers that many of the criticisms of the requirements in paragraphs 30-44 are compelling and highlight issues related to the relevance and meaningfulness of amounts determined and disclosed. These issues have been addressed in the “Overall View and Staff Proposal” section of this memorandum. Subject to acceptance of the core Staff

proposal, the question of discount rates is, at this stage, a second order one. It may need to be considered in more detail in the Long-Term Fiscal Sustainability project. Respondent 23's preference for an average long-term rate and Respondents 1's strictures on volatility are worth further consideration.

The Strategy on Accounting for Social Benefits that was included in both ED 34 and the Consultation Paper made it clear that the IPSASB was not addressing recognition and measurement and gave the reasons for this. Nevertheless, it was probably inevitable that some respondents would consider that the approach to determining the disclosures in ED 34 and the adoption of the "continuous entitlement" principle might unduly fetter the IPSASB's future consideration of recognition and measurement. Staff notes the comments of Respondent 5 on adoption of the principles in IPSAS 23, but also that such principles do not seem to lead to the "due and payable" position for recognition and measurement that this Respondent has favored elsewhere.

Specific Matter for Comment 4

The disclosure requirements in paragraph 45 are appropriate. If you think that they are unduly onerous, which disclosures should not be required? Conversely, if you think that the disclosures are inadequate, what further disclosures would you include? Please state your reasons.

Views were almost evenly balanced. A number of respondents reiterated views on SMC 3 and stated that the disclosure at paragraph 45(b), reflecting the requirements for the determination of amounts expected to be transferred to eligible individuals or households, was not supported (e.g. Respondents 3, 5 and 13). Other respondents who did not favour the core approach focused on the other proposed disclosures (e.g., Respondents 2 & 10).

Of those who opposed the disclosures, most considered that they were onerous and that the value of the information was not commensurate with the cost of producing it (e.g., Respondent 22). Conversely, other respondents favored more detailed disclosures: Respondent 1 advocated, inter alia, disclosures of the general nature of government receipts, a summary table of all the major programs and the timing of payments and revalidation points.

Respondent 19 favored a requirement on sensitivity analysis in order to complement the disclosure of principal assumptions that have changed since the last reporting date. Respondent 2 supported the disclosure of outflows by time bands, as did Respondents 17 & 19, and more detail on those entering and leaving programs. Respondent 24 noted that reporting on the timing of payments was encouraged, but considered that it should be required.

Respondents 7 and 9 both commented on the proposed requirement in paragraph 45(g) that entities disclose whether a qualified actuary has been used in the determination of the principal assumptions and, if so, whether that actuary is an employee of the reporting entity or an external engagement. Respondent 7 questioned whether this should be retained as it is not a requirement in either the IPSASB or IASB Standards on employee

benefits (IPSAS 25 and IAS 19). Respondent 9 broadly favored the disclosure, but questioned whether it was too narrow and should include other experts.

Staff View

The response indicates that striking a balance between a set of full information and onerous requirements is not straightforward. Staff considers that the majority of disclosure requirements are reasonable and, apart from the core disclosure in paragraph 45(b), should not prove too onerous. Staff thinks that Respondent 7 has highlighted an inconsistency between the ED and other pronouncements. The need for the disclosure of professions and experts involved in making projections is likely to be considered in the Long-Term Fiscal Sustainability project.

Specific Matter for Comment 5

The disclosure requirements in paragraph 45 are going to provide information that is verifiable. If you think that the disclosure requirements are not going to provide information that is verifiable, please identify the specific disclosures and state what those implications are.

A majority of respondents considered that the disclosures proposed in paragraph 45 would be verifiable. However, 4 respondents expressed views that problems would arise over verifiability. Respondent 1 highlighted difficulties that have arisen in Australia over interpretations of what is a “best estimate.” Respondent 4 considered that there is an inherent difficulty in verifying prospective information and that auditors tend to limit the scope of their work when reporting on prospective information. Respondent 9 believed that the disclosures proposed in paragraph 45 would be verifiable, but highlighted difficulties with the encouraged further disclosures proposed in paragraph 46. Respondent 19 also considered that the considerable scope for entities to report in accordance with paragraph 46 would likely raise issues for auditors.

Staff View

The issue of the verifiability of disclosures of prospective information will be revisited in the project on long-term fiscal sustainability. Staff acknowledges that the inclusion of prospective information within the scope of GPFRs may affect the level of assurance and audit costs. However, Staff does not believe that the inclusion of prospective information in GPFRs precludes assurance. Staff also notes that the General Accountability Office has provided assurance on prospective information reported in the financial statements at the federal level in the USA.

Staff also notes that a trend amongst some global standard-setters is to require disclosure of management judgments. Staff agrees that the encouraged disclosures in paragraph 46 highlighted by Respondent are broad and that preparers would have to liaise with auditors about appropriate assurance levels. In developing proposals on long-term fiscal sustainability Staff will seek the advice of staff from the International Auditing and Assurance Standards Board.

Specific Matter for Comment 6

The implementation arrangements are appropriate (paragraphs 50–53). If the implementation arrangements are inappropriate, please specify how you would change them. Please state your reasons.

A majority of respondents expressing a view considered that the proposed implementation arrangements were appropriate. Respondent 5 felt that implementation could potentially be accelerated if disclosures related to the “continuous entitlement.” principle were dropped.

Staff View

There was general support for the proposed implementation arrangements. This SMC is obviously not relevant if the IPSASB accepts the Staff proposal not to proceed with development of an IPSAS based on ED 34. The general acceptance of the implementation arrangements, particularly the exemption from providing comparative information in the first year of adoption, may provide limited pointers on the approach to implementation arrangements for an ED on recognition and measurement.

Other Issues

Applicability to Cash Basis of Financial Reporting

Respondent 11, who supported the overall direction of the proposals, advocated that in finalizing the ED the scope should be extended to entities reporting on the cash basis of financial reporting. Respondent 17, who did not support the ED, also questioned whether the ED should be extended to the cash basis, but highlighted a risk that such an extension might affect the ability of jurisdictions to adopt IPSASs. Respondent 23 also highlighted this issue.

Staff View

The ED proposed that the requirements should be restricted to entities reporting under the accrual basis of accounting. As the ED requires the disclosure of cash flows there is not a clear cut reason why the proposals in the ED should be restricted to entities on the accrual basis of financial reporting. However, adoption would be challenging for entities on the cash basis and Staff agrees that the ED might deter some entities from adopting IPSASs. This issue is likely to be considered during the long-term fiscal sustainability project.

CONSULTATION PAPER, “SOCIAL BENEFITS: ISSUES IN RECOGNITION AND MEASUREMENT”

OVERALL VIEW AND STAFF PROPOSAL

The response to the Consultation Paper did not raise many significant issues markedly different to those which had been highlighted by respondents to the 2004, Invitation to Comment, “Accounting for the Social Policies of Governments” and those identified and discussed by the IPSASB during the development of this project. However, some respondents did highlight that changes which might arise from the IPSASB’s Conceptual Framework project could have a significant impact on this project. The key points emerging from the response are that:

- There is a general acceptance that the general purpose financial statements (GPFs) cannot convey sufficient information about the financial condition of governmental programs providing social benefits. Some respondents do not think that it is the role of GPFs to provide such information and others expressed reservations about expanding the boundary of general purpose financial reporting to include prospective information;
- The distinction between individual goods and services and cash transfers is one of form rather than substance and leads to illogical accounting treatments;
- Most respondents do not think that present obligations arise for collective goods and services;
- Most respondents consider that present obligations and liabilities for both individual goods and services and cash transfers do not arise before all eligibility criteria are satisfied or when legal obligations exist;
- The “due and payable” approach where expenses and liabilities are related to amounts relating to the reporting period has significant support;
- Most respondents do not think that a present obligation for contributory programs arises at an earlier point than non-contributory programs. However, a minority think that the payment of contributions may give rise to constructive or legal obligations at a point prior to the satisfaction of all eligibility criteria; and
- A small majority of respondents favor carrying out further work on the executory contract accounting model. However, a number of respondents expressed reservations about this model and felt that, if the objective of developing the model is to restrict present obligations and liabilities that might be better achieved by modifying the definition of a liability.

Staff View

As indicated at Agenda Item 6 the response to the project brief and the view that the general purpose financial statements cannot convey sufficient information about the financial condition of governmental programs providing social benefits provides assurance for the IPSASB’s project on long-term fiscal sustainability.

The majority of respondents do not favor the recognition of extensive liabilities related to social benefits. The challenge for the future is finding a coherent conceptual apparatus

that implements the due and payable/legal obligation approach. The proposed definition of a liability in the draft second phase Conceptual Framework Consultation Paper at Agenda Item 2.1 is “a liability of an entity is a present economic obligation of the entity that is enforceable.” Adoption of this definition, or any variant that incorporates the notion of “enforceability at the reporting date” would undoubtedly narrow the circumstances in which liabilities for social benefits arise. For cash transfers it seems unlikely that legal obligations could arise before all eligibility criteria have been satisfied at the earliest, although there may be cases where participants in contributory programs are legally able to demand repayment of their contributions prior to the satisfaction of all eligibility criteria. As considered further at SMC 4 it also seems unlikely that an individual or household would have an enforceable entitlement that extends beyond the next revalidation point.

The question of whether a legal obligation for individual goods and services exists, and, if so, the extent of that obligation may not be straightforward. For example, does an individual needing a medical operation who has satisfied all eligibility criteria and is on a waiting list at the reporting date have an enforceable and unconditional right to that operation and does the government have a present economic obligation at the reporting date? For education, does an individual in a jurisdiction with universal provision of education from age 5-16 years have an enforceable legal right when they reach the age of 5 and, if so, how extensive is the obligation of government? Staff agrees with Respondent 14 that it may be necessary to reconsider the “continued existence” implicit eligibility criterion that was jettisoned earlier in the development of the project.

SPECIFIC MATTERS FOR COMMENT

ED 34 identified 5 Specific Matters for Comment (SMC) on which the IPSASB indicated that it would particularly welcome comments. An overview of the responses to each SMC follows.

Specific Matter for Comment 1

Do you agree that, within the constraints of the current implied conceptual framework for general purpose financial reporting, current financial statements such as the statement of financial position and the statement of financial performance cannot convey sufficient information by themselves to users about the financial condition of governmental programs providing social benefits? Please state your reasons.

Virtually all respondents expressing a view agreed with the statement, although certain comments were ambiguous. Some respondents challenged either explicitly or implicitly whether accounting standards should deal with prospective information, and whether such information should be within the scope of general purpose financial reporting. Respondent 4 was adamant that information on future expenditures and financing of programs providing social benefits should not be included in the financial statements and emphasized the need for the financial statements to be read in conjunction with other financial and non-financial information. Conversely, Respondent 22 felt that the financial statements should include a statement providing details of prospective information on governmental obligations for social benefits under existing legal frameworks.

Respondent 17 noted that the framing of the SMC implied that the information gap could only be bridged through additional reporting and suggested that an alternative approach might be to expand the definition of a liability. Respondent 7 also argued that the notion of a present obligation is private sector-oriented and not suited to the public sector environment.

Staff View

The response to this question indicates that many issues related to the reporting of social benefits cannot be divorced from issues under consideration in the Conceptual Framework project, particularly the components dealing with the objectives and scope of financial reporting and the elements of financial reporting. Overall, despite the misgivings of a minority of respondents identified above, the response, together with the comments made on the project brief, provides assurance that the IPSASB should proceed with its project on long-term fiscal sustainability. Staff considers that further work on recognition and measurement should be deferred until, at the earliest, responses to the first two Consultation Papers have been received and evaluated.

Specific Matter for Comment 2

Do you think that a present obligation to individuals or households arises at any time for:

- a) Collective goods and services; and/or*
- b) Individual goods and services?*

If you think a present obligation does arise for either (a) or (b) or both (a) and (b) please indicate when and indicate your reasons.

A majority of those expressing a view considered that a present obligation does or may arise for individual goods and services, but not for collective goods and services.

Those who considered that a present obligation does not arise for collective goods and services considered that there is no binding obligation, and that governmental announcements of intentions to provide collective goods and services are commitments rather than obligations (see, for example, Responses 1, 4 and 19). They also reflect the view that the provision of collective goods and services is an ongoing activity of government (see Response 9).

Three respondents argued that a present obligation may arise for both collective and individual goods and services. Respondent 2 considered that a present obligation arises for collective goods and services when there is a legal obligation to transfer goods and/or services to the eligible organizations that “provide the inputs to the goods and services and/or services to the eligible organizations that provide the inputs to the goods and/or services provided to the wider community.”

Respondent 3 considered that, applying the principles in IPSAS 19, present obligations can arise in many circumstances for both collective and individual goods and services, but that it is not in the interest of the users of public sector financial statements to pursue such an approach. Respondent 3 also noted that the measurement of liabilities arising from present obligations involves a large degree of subjectivity. These comments

indicated a view that the current conceptual framework is inadequate for dealing with social benefits provided in non-exchange transactions.

Three respondents (6, 9 & 15) considered that present obligations arise for neither collective nor individual goods and services. The rationale for this contention appears to be that governments can avoid an outflow of resources at any point prior to delivery due to their sovereign powers.

Staff View

Staff agrees with those who argue that, applying the current principles in IPSAS 19, present obligations are likely to arise for individual goods and services when all eligibility criteria are satisfied. Staff also agrees with those respondents who argue that concluding that a present obligation arises when all eligibility criteria are satisfied for cash transfers, but not for individual goods and services, is focusing on the form rather than substance of resources transferred and that this leads to inconsistent and illogical accounting treatments. When work on the recognition and measurement of social benefits is resumed the distinction between cash transfers and individual goods and services should be modified or eliminated.

The proposed modification of the definition of a liability would, however, change the above analysis and lead to a more restrictive approach to liability recognition. Under the proposed liability definition the focus will be on the existence of an enforceable legal obligation rather than the satisfaction of eligibility criteria.

Staff is not convinced that a present obligation arises for collective goods and services under the current principles in IPSAS 19. Staff considers the argument of respondent 2 confuses the existence of present obligations to employees and third parties delivering goods and services in exchange transactions to individuals and/or households and the existence of present obligations to those individuals or households. Adoption of a more restrictive definition of a liability as proposed in the second Conceptual Framework Consultation Paper would strengthen this Staff view.

Specific Matter for Comment 3

Do you think that a present obligation to individuals or households in respect of cash transfers arises when all eligibility criteria have been satisfied for:

- a) Non-contributory programs; and/or***
- b) Contributory programs?***

If you think that a present obligation arises at an earlier point for (a) or (b) or both (a) and (b), please indicate that point and give your reasons.

Most respondents expressing a view did not think that a present obligation arises until all eligibility criteria have been satisfied, regardless of whether a program is contributory or non-contributory: some respondents (such as Respondent 4) indicated that their experience of non-contributory programs is limited. Respondent 6 also argued that aged social security pensions should be treated differently to other contributory programs, although it appeared that this difference relates to measurement rather than the recognition point for a liability.

Respondent 14 considered that the individuals' continued existence is an implicit eligibility criterion: this would seem to limit any liability to amounts outstanding at the reporting date *and* relating to the reporting period. Such a view basically amounts to a narrow interpretation of "due and payable" as put forward in the 2004 Invitation to Comment. Arguing a similar point, Respondent 22 also noted that continued existence is an eligibility criterion for the US social security system and that the estate of a deceased, who had been receiving monthly social security payments, would be required to return benefits received for the month of death and later.

Respondent 21 highlighted the development of the working definition of a liability, in particular the notion of "present enforceability" and the concept of a stand-ready obligation in the IASB-FASB Conceptual Framework project. Respondent 21 considered it unlikely that probable future social benefits obligations would be "presently enforceable" at the reporting date. In the context of social benefits such as unemployment benefit a Government may have a valid obligation to provide unemployment benefits now and in the future, but the Government is on "standby" to deliver those benefits and associated conditions must be triggered before benefit becomes payable and a liability is created..

Only Respondent 3 appeared to accept that a present obligation might arise at a point before the satisfaction of eligibility criteria for all cash transfer programs, whether contributory or not. This was consistent with the view expressed at SMC 2 and appeared to reflect the view that a current approach based on the determination of the point at which a present obligation arises in accordance with current IPSAS 19 principles is inappropriate for social benefits provided in non-exchange transactions and will not produce useful information.

Three respondents (1, 19 and 23) considered that a present obligation might arise for contributory programs at an earlier point than for non-contributory programs. Respondent 23 considered that the payment of a contribution might give rise to a legally enforceable claim and that contributory programs could be seen as quasi-contractual in character. Respondent 23 also considered that the question of contributory programs could also apply to individual goods and services.

Respondents 9 and 15 did not consider that a present obligation arises for any cash transfer program. The rationale for this contention appears to be consistent with that for SMC 2, i.e. that governments can avoid an outflow of resources at any point due to their sovereign powers and that governments should not recognize expenses and liabilities for ongoing activities.

Staff View

Staff notes that the majority of those expressing a view are not convinced that the contributory nature of a program affects the timing of a present obligation. These respondents consider that a present obligation for both contributory and non-contributory programs arise at the earliest when all eligibility criteria have been satisfied.

Staff considers that the difference between a legal obligation and an obligation based on a “due and payable” notion needs to be explored further. Staff believes that the two are likely to be different, although during the course of development of the project there has been debate over what “due and payable” connotes. Liabilities based on a narrow “due and payable” notion are essentially linked to the notion of inter-period equity and are likely to be narrower than those based on a legal obligation. For example, under the narrow “due and payable” approach the amount of any expense would be limited to the amount of the benefit relating to the period up to the reporting date and any liability would be limited to amounts unsettled at the reporting date and relating to the period up to the reporting date. Liabilities and expenses based on legal obligations might extend to amounts beyond the reporting date, although the position might be affected by specific legal requirements for repayment in the event of death or existence of a return obligation if eligibility criteria are no longer met before payment falls due.

The proposed definition of a liability in Preliminary View 5 in the draft Conceptual Framework Consultation Paper at Agenda Item 2 appears to narrow the bridge between “due and payable” and a liability based on a legal obligation quite considerably without eliminating it completely. Preliminary View 5 proposes that a liability of an entity is a present economic obligation of the entity that is enforceable.

Staff also agrees with Respondent 23 that the question of contributory and non-contributory programs does not just relate to cash transfer programs and that there is no reason why the accounting for a contributory program delivering benefits in the form of services (such as health care) should be treated differently to a program making cash transfers. Staff has expressed a view in the analysis of ED 34 that the distinction between individual goods and services and cash transfers is one of form rather than substance and that these definitions should be modified.

Specific Matter for Comment 4

Where a cash transfer program requires individuals or households to revalidate their entitlement to benefits, do you think that revalidation is an attribute that should be taken into account in the measurement of the liability or a recognition criterion?

Please state your reasons.

The response to SMC 4 was inconclusive and the large number of respondents who did not directly answer or reiterated comments on previous SMCs may suggest that the Consultation Paper did not explain the issue adequately. Of those expressing a view, five respondents considered that revalidation is a measurement attribute, while four respondents considered revalidation to be a recognition criterion.

Staff View

The response to this question largely reflected respondents’ views on the existence of present obligations, and if such present obligations exist, the extent of those obligations. In the view of Staff the relevance of the primary characteristic of revalidation is likely to depend upon whether any revised definition of a liability includes a reference to constructive obligations. If the definition of a liability becomes more restrictive, as

proposed in the second phase Consultation Paper, the key question will be whether obligations are enforceable at the reporting date. Constructive obligations are extremely unlikely to be enforceable. In the view of Staff this would likely limit any liability to a maximum of the amount payable up to the next revalidation point, and then only if an individual or household has a legally enforceable right to the full amount of that payment at the reporting date.

Specific Matter for Comment 5

Do you think that in developing requirements for recognition and measurement of social benefits the IPSASB should further explore the executory contract accounting model briefly outlined in Key Issue 6. Please state your reasons.

There was a narrow majority in favour of IPSASB carrying out further work on the executory contract model. 11 respondents favored further exploration of this model, although some expressed reservations and wanted further detail of how the model would be applied-which would be the point of carrying out further work! Nine respondents did not support the rationale for exploring the executory contract model further. Respondent 19 commented that it had considered the relevance of executory contract accounting as part of its own project on developing a public sector interpretation of its private sector conceptual framework and concluded that adapting that model to a non-exchange environment is problematic. Respondent 17 questioned how the executory contract accounting model would work in practice and suggested that it is not necessary to develop an executory accounting model in order to achieve a restrictive interpretation of a liability.

Staff View

Staff thinks that executory contract accounting may be worth examining in further detail in due course, but that this is dependent upon decisions in the Second Phase of the Conceptual Framework project. An approach based on executory contract accounting was outlined as a possible device to give a conceptual underpinning to limiting liabilities to those based on legal obligations at the reporting date. The definition of a liability of an entity proposed in the draft Consultation Paper as “a present economic obligation of the entity that is enforceable” is a considerable narrowing of the current definition of a liability and, as suggested by Respondent 17 may achieve the objective.

ANALYSIS OF RESPONSES TO ED 34, “SOCIAL BENEFITS: DISCLOURE OF CASH TRANSFERS TO INDIVIDUALS OR HOUSEHOLDS”

OVERALL VIEW

GENERALLY SUPPORT	A	8
GENERALLY OPPOSE	B	16
NO CLEAR VIEW EXPRESSED	C	2
TOTAL		26

Percentage supporting view (A) – out of those expressing view 33%
 Percentage supporting view (B) – out of those expressing view 67%

	NAME	VIEW	COMMENT
1.	Heads of Treasuries Accounting & Reporting Advisory Committee (HOTARAC)	B	<p>HoTARAC does not support IPSASB’s ED 34, as it recommends reporting prospective information. This does not currently fall within the scope of the Accounting Standards and the proposed disclosures do not significantly enhance the evaluation of social benefits programs.</p> <p>There is a general consensus that, given the significant size of government social benefits expenditure, there is a need for information that would improve the assessment of the financial position and performance of such programs.</p> <p>HoTARAC concurs with IPSASB that primary financial statements do not meet all the information needs of government report users on this matter. However, the general purpose financial report is an ex-post financial report that generally reports on past events.</p> <p>HoTARAC has difficulties in determining how the disclosures outlined in the ED 34 will fill this information “gap”.</p>
2.	Australasian Council of Auditors-General	B	<p>Although it is important to explore fiscal sustainability reporting, we do not believe that the AASB should, at this stage, seek to address recognition and measurement techniques for social benefits. The techniques proposed in the IPSASB consultation paper are not consistent with current accounting framework, for example the future payments of social benefit do not constitute a present obligation. Recognition and measurement techniques would be better addressed in the development of a fiscal sustainability framework.</p> <p>Disclosures regarding social benefits would be useful to users. However, we believe the specific disclosures proposed in ED 34 would not enhance usefulness of financial reports.</p> <p>The disclosures would not comprehensively address the full</p>

	NAME	VIEW	COMMENT
			<p>extent to which the government will incur future payments of cash transfer social obligations to those eligible in Australia. The information would only consist of information regarding participants currently eligible. In particular, a net present value of those payments would not provide relevant information to users.</p>
3.	New Zealand Controller and Auditor-General	B	<p>We do not agree with the majority of the proposed disclosures in the ED, because we believe those disclosures are not relevant nor meaningful to users. The proposed disclosures do not fully address the extent to which a government will incur future payments of social benefits and we have significant reservations about the information value of the net present value (NPV) amount of payments to only these participants currently eligible at the reporting date. That NPV amount is only a part of the picture, the separate disclosure of which has the potential to be misleading or to be misinterpreted by users as an unrecognised liability.</p> <p>Given our views above on the proposed disclosures, we question the benefits, if any, relative to the costs of producing such information. We therefore believe that the IPSASB should not go any further with the development of an IPSAS based on the ED.</p>
4.	New South Wales Treasury	B	<p>NSW Treasury agrees with IPSASB that financial statements do not meet all the information needs of government report users on the topic of social benefits. However, it is not the objective of general purpose financial reports to meet all information needs.</p> <p>NSW Treasury does not support IPSASB ED 34 as it recommends disclosing prospective information which does not currently fall within the scope of Accounting Standards. The general purpose financial report is an ex-post financial report that generally reports on past events.</p> <p>Although we understand that the IPSASB draft Conceptual Framework will propose extending the scope of Accounting Standards, NSW Treasury does not support this and it has not yet been approved. Therefore, we feel that the recommendations in the Exposure Draft are premature and if this information is disclosed at all, it should be disclosed outside the audited financial statements in the body of the annual report (similar to management discussion and analysis).</p> <p>The Exposure Draft also pre-empt the recognition and measurement project. By disclosing this information, there is a connotation that it has relevance to assessing performance in the current financial reporting period. NSW Treasury does not agree that the amounts disclosed as defined meet the recognition criteria for a liability and, until this is resolved, believes that it is premature to require disclosures.</p>

	NAME	VIEW	COMMENT
5.	Governmental Accounting Standards Board (USA)	B	Overall, we do not support the issuance of this document as a final standard in its present form. However, with extensive modification, we believe that a final standard that addresses the social benefit programs of a government could be issued.
6.	Treasury Board Secretariat: Canada	B	We support the objective of the Board to endeavour to increase accountability and reporting in the area of government's long-term fiscal sustainability. However, we are of the view that financial statements are not the right medium to best address this complex issue and question whether accounting standards are the appropriate means to address this area. Nonetheless, any study that the Board undertakes to document best practices is welcome and will be useful for governments. Ultimately, general guidance based on these best practices will also be useful if it is intended to supplement guidance on the content of Financial Statement Discussion and Analysis (FSD&A). However, since parameters of fiscal sustainability could vary widely from one government to the next, we do not support an outcome that could lead to standardized reporting requirements in this area.
7.	Japanese Institute of Certified Public Accountants	A	
8.	French Social Security Administration	B	Adequate information already provided through other sources.
9.	South African Accounting Standards Board	A	While we understand the dynamics of requiring the recognition of potentially significant long-term obligations on government's and public sector entity's financial statements, we would encourage the development of a Standard that deals comprehensively with the accounting for social benefits i.e. recognition, measurement, presentation and disclosure. We do however support the interim proposal in ED 34 as this would most certainly prepare entities for a more comprehensive basis of accounting for social benefits in the future.
10.	Zurich University of Applied Sciences	B	In our opinion a cautious approach in respect of the accounting and reporting for Social Benefits is advantageous and strongly advisable. Social benefits are typical elements of the service delivery by the government to its citizens. In our view, the adoption of a balance sheet approach to future service delivery would be greatly misleading and in contradiction to the principle of going concern. However, we do agree that, mainly due to their high economic relevancy, information about social benefits should be disclosed in the notes to the financial statements. That's why we agree in general with the approach taken by the IPSAS-Board, so far.

	NAME	VIEW	COMMENT
			We also agree with the project undertaken in respect of fiscal sustainability. But we strongly disagree with any attempt to move towards a balance sheet approach for Social Benefits. That's why we also oppose any elements of the disclosure standard which are possibly pointing in this direction.
11.	Ronald Points	A	I am pleased to see that the Board has taken the steps to address this issue. While I was on the Board, this was a topic that I was passionate about and hoped that the Board would eventually issue a standard that would address the topic.
12.	Chartered Institute of Public Finance & Accountancy: United Kingdom	A	We note that the scope of the Exposure Draft is restricted to setting out proposals for specific disclosures outside the primary financial statements, and does not encompass the recognition and measurement of balance sheet liabilities. We appreciate that this was not the initial intention of the Board, and that this matter is being addressed (albeit on a slower timetable) through the Consultation Paper.
13.	Association of International Accountants	A	
14.	Institute of Chartered Accountants of Scotland	B	We are concerned that the proposals will not improve the quality of financial reporting by the public sector and would probably be exceedingly costly to implement. The personal nature of the calculations suggested in the exposure draft on disclosure would be a contributory factor to the cost. The nature of the calculations is also unlikely to result in particularly meaningful figures as the individuals receiving benefits during a particular financial year will not be exactly the same as the individuals receiving these benefits in future financial reporting periods, although under the proposals estimated figures based on these same individuals would also cover future periods. However, we are not against a degree of narrative reporting on social benefits within the financial statements of public sector entities linked to liabilities reported in the financial statements.
15.	New Zealand Institute of Chartered Accountants	B	The IPSASB should not continue with the development of a disclosure standard for social benefits.
16.	Contrôleur des Finances: Gouvernement du Québec	B	<p>First of all, the amounts a government expects to pay under cash transfer programs cannot be considered commitments that must be reported in the financial statements since these programs are discretionary.</p> <ul style="list-style-type: none"> In many cases, governments have full discretionary power to terminate or change their cash transfer programs. Such a situation can occur, among others, when a different political party assumes power or when a

	NAME	VIEW	COMMENT
			<p>government has a bill passed to overhaul an existing program.</p> <ul style="list-style-type: none"> • Governments do not need to obtain the consent of eligible individuals or households to change the provisions of cash transfer programs. • The fact that individuals and households have expectations as to the possibility of receiving cash transfers in the future does not mean that governments have undertaken to pay them. Indeed, cash transfers stem from future events and consequently, governments have no obligation to make such transfers as long as the payments are not due to the recipients and as long as the latter are not entitled to receive them. On the date of the financial statements, the only obligation of governments in relation to cash transfer programs therefore lies solely in the amounts that are due to eligible individuals or households, but have not been paid to them at the end of the fiscal year. <p>Next, we disagree with the presentation of information on cash transfer social programs in the notes because it would be difficult to estimate the amount of future benefits payable to recipients given the many imponderables.</p>
17.	Australian Accounting Standards Board	B	<p>The AASB proposes that public sector entities adopting the accrual basis of accounting disclose amounts due and payable under social benefits programs, by program, and that all public sector entities disclose their accounting policy for recognising expenses and liabilities related to their social benefits programs.</p> <p>In ED 34 the IPSASB has tentatively concluded that disclosure of certain cash transfers (and information about social benefits programs) represent an important first step in signalling the importance of governments providing users with relevant information on their social benefits programs. The AASB is not convinced that the ED 34 proposals are the appropriate first step.</p> <p>ED 34 proposes disclosing the best estimate of the present value of amounts expected to be transferred under cash transfer programs. The best estimate is determined on the basis of continuous entitlement, that is, assumptions are made about the proportion of those eligible for benefits at the reporting date who will continue to be eligible into the future, and the corresponding amounts are included in the best estimate liability. ED 34 does not suggest that the amount determined is a 'liability', it is simply an amount to be disclosed. There is, however, a risk that users will consider this amount to be a liability, and that the disclosure could therefore be misleading.</p>

	NAME	VIEW	COMMENT
18.	Fédération des Experts Comptables Européens (FEE)	A	We note, of course, that the scope of the Exposure Draft is restricted to setting out proposals for specific disclosures outside the primary financial statements, and does not encompass the recognition and measurement of balance sheet liabilities. We appreciate that this was not the initial intention of the Board, and that this matter is being addressed (albeit on a slower timetable) through the Consultation Paper.
19.	United Kingdom Accounting Standards Board	B	We also have some concerns about the scope of the proposed disclosure standard, in particular the distinction that is made between “cash transfers to individuals and households” and “individual goods and services”. We do not consider this to be a helpful distinction and, as explained in Appendix A, consider that treating cash transfers separately could result in different accounting treatments for similar policies. For this reason, we would suggest that social benefits are categorised as “individual goods and services” or “collective goods and services” and that cash transfers should form a sub-set of the former.
20.	International Actuarial Association	C	
21.	New Zealand Treasury	B	<p>The Treasury does not think ED 34 is a good first step, and therefore, does not support the proposals in it. In our view, IPSASB should not progress ED 34. The Treasury believes that IPSASB should focus their efforts on the long-term fiscal sustainability project and seek solutions for issues associated with the recognition and measurement of social benefits raised in the consultation paper.</p> <p>In our opinion, the disclosures proposed in ED 34 will not meet users’ information needs because:</p> <ul style="list-style-type: none"> • the amount proposed to be disclosed does not represent a liability that should be recognised on a government’s balance sheet; • the proposal does not provide any insights into the way social benefit programs are managed, and • the proposal does not provide any information as to whether social benefit programs will be sustainable in the future. <p>In our view, users’ needs about social benefit programs are better served via some form of long-term fiscal sustainability reporting.</p>
22.	Government Accountability Office (USA)	B	Overall, we support the IPSASB efforts to disclose additional information on the cash transfers to individuals and households as a step towards increasing transparency and providing information to users about the implications of long-term fiscal challenges relating to social benefits. However, as

	NAME	VIEW	COMMENT
			drafted, we believe that the potentially significant costs associated with gathering data and preparing these estimates could outweigh the benefits of disclosing such information, particularly given that we believe that IPSASB's fiscal sustainability project will provide more relevant and complete information about future social benefit cash transfers. Also, it may take some governments a number of years to develop the information that is needed to comply with the disclosure requirements.
23.	Institut der Wirtschaftsprüfer (IDW): Germany	A	We acknowledge that the IPSAS Board regards ED 34 as a preliminary step in accounting and financial reporting of social benefits. However, we would like to point out that disclosures cannot replace the recognition of social policy obligations in the long run.
24.	Tim Beauchamp	C	
25.	United Nations System Task Force on Accounting Standards	B	The development of ED 34 is likely to represent a significant advance in cash transfer disclosures for governments where cash transfer programs such as social security pensions have potentially major ramifications for the fiscal sustainability of governments looking forward. While the United Nations System submission supports this objective, it makes suggestions to ensure that ED 34 avoids unnecessary disclosures for entities that operate cash transfer programs on a more discretionary basis, where the nature of these cash transfers do not have long term fiscal sustainability implications for the entities concerned.
26.	Financial Reporting Advisory Board (UK)	A	The Board agrees with the IPSASB's overall direction in seeking to determine appropriate recognition, measurement and disclosure requirements to progress the future reporting of social benefits.

SPECIFIC MATTER FOR COMMENT (1)

The scope of this ED is appropriate (paragraphs 2–8). If you do not think that the scope is appropriate please detail how you would modify the scope. Please state your reasons.

SUMMARY OF OVERALL VIEW

GENERALLY APPROPRIATE	A	8
GENERALLY INAPPROPRIATE	B	14
NO CLEAR VIEW EXPRESSED	C	4
TOTAL		26

Percentage supporting view (A) – out of those expressing view 36%
 Percentage supporting view (B) – out of those expressing view 64%

	NAME	VIEW	COMMENT
1	Heads of Treasuries Accounting & Reporting Advisory Committee (HOTARAC)	B	<p>More clarity is required in relation to the application of ED 34, at entity level, to those entities which administer cash transfers and those entities which control cash transfers, but do not make direct payments to recipients. For the purpose of this submission, HoTARAC considers administered and controlled transactions in the way they are determined in AASB 1050 Administered Items.</p> <p>Arguably, the disclosure of estimated cash transfers in the financial statements of an entity, which administers a social benefits scheme, might send a misleading message to users of its financial statements that the administered entity has the certain degree of control over the scheme and is generating cash inflows to fund the scheme. This is not always true as, in the ordinary course of business, the administered entity has no discretion regarding the distribution of social benefit program payments and associated administered revenues.</p> <p>The exclusion from the scope of social benefits provided in the form of goods and services to individuals and households does not provide the full cost/resources required from government for providing social benefits to individuals/households. This exclusion may lead to manipulation of disclosures by converting cash transfer programs into individual goods and services, in order to avoid, or minimise, disclosure.</p>
2.	Australasian Council of Auditors-General	A	<p>Yes, we believe the scope is appropriate given the intention of the standard to disclose information about the fiscal sustainability of future non-exchange social benefit payments to eligible Australian citizens. We do, however, believe that future work should address broader issues such as social benefits that relate to goods and services to report comprehensively on welfare programmes.</p>

	NAME	VIEW	COMMENT
3.	New Zealand Controller and Auditor-General	C	We do not have a strong view about whether the scope of the ED is appropriate. However, as stated in our covering letter, we strongly believe that the majority of the proposed disclosures outlined in the ED are not relevant or meaningful to users. We also believe that the majority of the disclosures proposed have the potential to be misleading or to be misinterpreted by users.
4.	New South Wales Treasury	B	<p>NSW Treasury only supports a project on long-term fiscal sustainability, where disclosures appear outside the audited financial statements.</p> <p>With this proviso, NSW Treasury believes that the scope of the exposure draft should be extended to include the right to tax and not just one type of social benefit. The exclusion from the scope of social benefits provided in the form of individual and collective goods and services does not provide the full cost required from government for providing social benefits. This exclusion may lead to manipulation of disclosures by converting cash transfer programs into individual goods and services, in order to avoid or minimise disclosure.</p> <p>Given that the right to tax is at the government level, NSW Treasury believes that any future social benefit disclosures should also be restricted to the whole-of-government level</p>
5.	Governmental Accounting Standards Board (USA)	B	The benefits within the scope of the ED, including composite social security programs is appropriate; however, including the disclosure of “amounts expected to be transferred to individuals or households that are eligible at the date for cash transfers provided in non- exchange transactions” is not appropriate. The basis for this position is presented in the response to Question 3.
6.	Treasury Board Secretariat: Canada	C	
7.	Japanese Institute of Certified Public Accountants	A	
8.	French Social Security Administration	B	The scope of that ED is not appropriate to the French system.
9.	South African Accounting Standards Board	B	<p>The Board is of the view that an obligation arises for cash transfers and individual goods and services at the same point (see our response to question 2 under Part B).</p> <p>As a result, the scope of ED 34 should require the disclosure of obligations relating to both cash transfer programmes as well as programmes for the provision of individual goods and services.</p>

	NAME	VIEW	COMMENT
10.	Zurich University of Applied Sciences	B	<p>We do not think that the Scope of this ED is appropriate.</p> <p>In general, we do agree on the disclosure of information about Social Benefits in the notes to the financial statements. However, we are not confident if a disclosing information about a limited selection of programs, i.e. cash transfer programs transferring economic benefits in non-exchange transactions to eligible individuals or households is necessary (paragraph 2), is appropriate. We are of the view that the disclosure should be more comprehensive but less detailed. The disclosure requirements also need to be similar to disclosure requirements for other types of commitments. We therefore recommend defining general disclosure requirements for commitments first and then adapt the requirements in respect of social benefits accordingly. Furthermore we consider that the scope as described in paragraphs 2-8 will cause substantial difficulties when auditing the financial statements, as the inclusion or exclusion of certain programs is somewhat arbitrary.</p>
11.	Ronald Points	C	<p>Recommends that in the Scope Section that the topics relating to Collective Goods and Services as well as Individual Goods and Services be identified as being excluded from this Standard. Discussing these items within the body of the Standard and stating at the end that they are excluded, I found to be confusing and it distracts from the real issues that need to be addressed in the Standard.</p>
12.	Chartered Institute of Public Finance & Accountancy: United Kingdom	A	<p>We recognise that the Board wishes to produce useful guidance as soon as possible, and has elected to develop a limited scope standard for early implementation, while continuing to explore wider issues with a view to developing more comprehensive guidance later.</p> <p>We accept the pragmatic line taken by the Board in taking forward these extremely complex issues.</p>
13.	Association of International Accountants	A	<p>AIA considers the scope of the ED to be appropriate; however, although paragraph 7 is headed “Government Business Enterprises” it contains the fact that the standard applies to all public sector entities. This fact should be stated more clearly at the beginning of the scoping section as it could be easily missed by including it under this heading.</p>
14.	Institute of Chartered Accountants of Scotland	B	
15.	New Zealand Institute of Chartered Accountants	B	<p>The IPSASB should not continue with the development of a disclosure standard for social benefits. In particular, the limited scope of ED34 further limits the usefulness of these disclosures for users of the financial statements as a significant portion of social benefits, such as collective social benefits, are excluded</p>

	NAME	VIEW	COMMENT
			<p>from its scope.</p> <p>To limit the scope of ED34 to cash transfers means that only a part of the total social benefits to individuals and households is disclosed. This will not give users of the financial statements a true picture of the types, and extent to which, social benefits are provided.</p>
16.	Contrôleur des Finances: Gouvernement du Québec	B	<p>We are of the view that it is up to a government's discretion to present the information it chooses regarding social benefits in documents other than its financial statements. Governments have specific means and many other opportunities to account for the fiscal continuity of their social programs. Examples include parliamentary commissions, reports of various task forces and budget documents. Governments must therefore have the option to choose how and when to communicate this information.</p>
17.	Australian Accounting Standards Board	B	<p>The AASB does not agree with the disclosures proposed by ED 34 and would propose only a minimum level of disclosure.</p>
18.	Fédération des Experts Comptables Européens (FEE)	A	<p>FEE notes that the guidance does not provide an answer to the question of what liabilities should be recognised on public sector balance sheets.</p> <p>However, we recognise that the Board wishes to produce useful guidance as soon as possible, and has elected to develop a limited scope standard for early implementation, while continuing to explore wider issues with a view to developing more comprehensive guidance later.</p>
19.	United Kingdom Accounting Standards Board	B	<p>We do not consider the scope of the proposed standard to be appropriate because we disagree with the distinction that is made in the exposure draft between "cash transfers to individuals or households" and "individual goods and services". In our view this distinction is not always helpful and that, in accounting terms, there could be very little difference between cash transfers and individual goods and services, especially as public sector entities may choose to provide substantively identical benefits either in cash or in kind.</p>
20.	International Actuarial Association	C	
21.	New Zealand Treasury	B	<p>The Treasury does not think that the scope is appropriate because excluding social benefits provided in the form of goods and services limits the usefulness of the disclosure. Limiting the disclosures to cash transfers provided in social benefit non- exchange transactions also makes comparability across jurisdictions difficult. Governments may provide similar social benefits but make different policy decisions as to whether they are paid in cash or provide goods and services.</p>

	NAME	VIEW	COMMENT
			In New Zealand, while the government determines the social benefits programs, subsidiary entities administer the cash transfers of these programs on the government's behalf. The ED does not currently specify whether social benefit disclosures are required in the subsidiary's financial statements as well as the consolidated ones. The Treasury expects that ED 34 disclosures would be required only in the consolidated financial statements of the government and not in the administering subsidiary financial statements.
22.	Government Accountability Office (USA)	A	We agree that efforts to establish standards that require disclosures of future cash transfers to individuals or households are important for providing greater transparency and more useful information to the readers of the general purpose financial statements. However, we recognize that sustainability information about social benefits included in the context of broader fiscal sustainability reporting would better enhance accountability and transparency of the fiscal condition of the government and provide users with information needed to make tough and timely decisions about the government's ability to sustain social benefits and other government programs in the long-term.
23.	Institut der Wirtschaftsprüfer (IDW): Germany	A	<p>Against the background that ED 34, as a first step, requires minimum disclosures for cash transfers to individuals or households, the scope is appropriate.</p> <p>ED 34 refers to entities that account on an accrual basis. It should be discussed whether entities which use the cash basis standard should at least also be encouraged to give the disclosures required by ED 34.</p> <p>According to ED 34.5 such programs are within the scope of the standard when the amount of the contribution is not approximately equal to the economic benefits transferred by the government or public sector entity. Guidance would be helpful to clarify whether this approximation relates to total amounts of contributions in relation to the total cash transfers or, alternatively, whether this is to be considered at the level of each individual contributor.</p> <p>In connection with the composite social security programs ED 34.19 requires the entity to identify the exchange and the non-exchange components of the transaction. Only the latter is within the scope of ED 34. In our view, it should be analyzed whether contributory cash transfer programs have also an exchange as well as a non-exchange component. Guidance on how to identify the different components would be helpful.</p>
24.	Tim Beauchamp	B	It is conceptually difficult to understand the reason(s) for excluding transfers in kind in-lieu of cash. The fact that a recipient can exchange the transfer in kind into cash being a separate consideration appears to be form over substance. This could lead one to provide transfers in kind rather than cash

	NAME	VIEW	COMMENT
			simply to avoid the disclosure requirements. Considering the above issue, the scope is appropriate.
25.	United Nations System Task Force on Accounting Standards	B	While we support the general aim of achieving greater disclosure in the area of social benefit related cash transfers, the current scope of ED 34 may unintentionally capture entities operating cash transfer programs that do not warrant the separate disclosures required by the draft Standard. While the discussion below is focused on United Nations System organizations, the further examples make clear that the identified problem is not limited to international organizations. As presently worded ED 34 appears likely to affect a variety of different public sector entities and different ‘cash transfer programs’ that we consider the Board did not intend to be impacted by this standard.
26.	Financial Reporting Advisory Board (UK)	A	

SPECIFIC MATTER FOR COMMENT (2)

The new definitions in this ED at paragraph 10 are sufficiently clear and comprehensive. If you disagree, please indicate (a) how these definitions should be modified and (b) which new terms should be defined. Please state your reasons.

SUMMARY OF OVERALL VIEW

GENERALLY AGREE	A	15
DISAGREE	B	7
NO CLEAR VIEW EXPRESSED	C	4
TOTAL		26

Percentage supporting views (A)– out of those expressing view 68%
 Percentage supporting view (B) – out of those expressing view 32%

	NAME	VIEW	COMMENT
1.	Heads of Treasuries Accounting & Reporting Advisory Committee (HOTARAC)	B	<p>The definitions of “Social Benefits” and “Individual goods and services” are not logical, as both refer to each other. HoTARAC proposes the following definition of “Social Benefits”:</p> <p>“Social Benefits are resources provided by a public sector entity to individuals, households or communities in a non-exchange transaction to protect the entire population, or a particular segment of the population, in any jurisdiction against certain social risks.”</p> <p>To be consistent with the definitions of “Collective goods and services” and “Individual goods and services”, the definition of “Cash transfer program” should be as follows:</p> <p>“...is a program that provides social benefits by way of cash transfers to an individual or household.”</p> <p>Proposed amendments are suggested below:</p> <p>“An eligibility criterion is a requirement that must be satisfied for entitlement to cash transfers, generally enshrined in legislation (regulation / decree etc).”</p> <p>The word “welfare” contained in the definition of “social risk” could be interpreted differently between various jurisdictions and thus may need refining.</p>
2.	Australasian Council of Auditors-General	A	<p>The definitions in paragraph 10 are sufficiently clear and comprehensive. As this is a relatively new topic based standard, it is important that definitions such as these are included in the description of the standard.</p>

	NAME	VIEW	COMMENT
3.	New Zealand Controller and Auditor-General	A	The definitions in paragraph 10 of the ED appear to be sufficiently clear and comprehensive.
4.	New South Wales Treasury	B	<p>NSW Treasury does not believe that the new definitions are sufficiently clear, for the following reasons:</p> <ul style="list-style-type: none"> The definitions of “social benefits” and “individual goods and services” are not logical, as both refer to the other. It is perhaps too complicated to include the three categories of social benefits within the definition of “social benefits.” Although considered and rejected, it might be preferable to use the GFSM 2001 meaning at paragraph 2.25: “Social benefits, are payments in cash or in kind to protect the entire population or specific segments of it against certain social risks.” <p>IPSASB might also consider using the “scope-out” paragraphs in IPSAS 19 as a basis for a definition (paragraphs 7-11).</p> <ul style="list-style-type: none"> The difference in the three categories of social benefits is not necessarily clear and may require further explanation. The distinction between collective goods and services and individual goods and services may be entrenched in statistical accounting, but it is not in Accounting Standards. Therefore, it requires clarification. For example, while a health or education system may be a collective system, there may be individual goods or services as part of that system. This is explained in the ABS Australian National Accounts: Concepts, Sources and Methods, 2000 (paragraph 14.335). However, the distinction relating to the three categories should not matter if the principles regarding the accounting are clear. The form of the transfers should not dictate the accounting treatment. This is because it is quite arbitrary whether social benefits are provided in the form of cash or goods or services; e.g. where cash is provided as a reimbursement for goods or services received or whether the service provider rather than the individual or household receives the cash transfer.
5.	Governmental Accounting Standards Board (USA)	A	We agree that the new definitions presented in the ED are clear and comprehensive. If the recommendations that we make below are accepted, then the definition of “threshold eligibility criteria” can be eliminated..
6.	Treasury Board Secretariat: Canada	B	Use of the term individual or collective “goods and services” could be confused with exchange transactions for goods or services by some readers. It may be advisable to try and find other terminology that would re-inforce the non-exchange nature.

	NAME	VIEW	COMMENT
7.	Japanese Institute of Certified Public Accountants	A	
8.	French Social Security Administration	A	
9.	South African Accounting Standards Board	A	<p>The definitions are appropriate and comprehensive, and are appropriate as they are aligned to the Government Financial Statistics classification.</p> <p>The standard wording included after the definitions section of each standard, should be added to ED 34, i.e. “Terms defined in other International Public Sector Accounting Standards are used in this Standard with the same meaning as in those other Standards, and are reproduced in the Glossary of Defined Terms”.</p> <p>As part of the Board’s financial instruments project, it has been considering the accounting treatment for the ‘off market’ portion of concessionary loans, which is determined as the difference between the present value of the inflows and present value of the outflows, using a market related rate at the date the loan is granted. The Board proposed in its Discussion Paper on Financial Instruments that the issuer of a concessionary loan should treat this shortfall as a subsidy cost.</p> <p>The Board has been considering to what extent that ‘subsidy cost’ is within the scope of social benefits. ED 34 defines a cash transfer to an individual or household as “a social benefit, which is either provided directly in cash, or is an expense paid through the tax system, to protect individuals or households against certain social risks where use of the resources transferred is at the discretion of the individual or household”.</p> <p>The Board believes that this ‘subsidy cost’ would be within the definition of a cash transfer, but only to the extent that concessionary loans have been granted to an individual or household, and assuming that the transfers are discretionary (if the loans are not discretionary, the definition of individual goods and services should be considered). To the extent that concessionary loans are granted to other entities, they would not be deemed to be a social benefit.</p>
10.	Zurich University of Applied Sciences	B	<p>We do not agree on the new definitions in this ED at paragraph 10. There are subtle differences between these definitions and the definitions of the same terms used for Government Financial Statistics. We don’t think that these definitions are intended and could possibly lead to confusion of the users of financial statements. We would therefore recommend adopting the definitions used by GFS.</p>
11.	Ronald Points	C	

	NAME	VIEW	COMMENT
12.	Chartered Institute of Public Finance & Accountancy: United Kingdom	A	Definitions sufficiently clear and comprehensive
13	Association of International Accountants	A	AIA is of the opinion that the definitions are clear and comprehensive with the exception of the definition for “Threshold eligibility criteria” which is described as ALL the criteria an individual must satisfy, rather than the MINIMUM criteria.
14.	Institute of Chartered Accountants of Scotland	C	
15.	New Zealand Institute of Chartered Accountants	A	
16.	Contrôleur des Finances: Gouvernement du Québec	C	We are of the view that the definition of this expression must exclude refundable tax credits since these credits, paid through the tax system, do not represent cash transfers (transfer payments). Just like non-refundable tax credits, refundable tax credits must be considered, from an accounting standpoint, like tax expenditures. This position also reflects our disagreement with existing standard IPSAS 23 Revenue from Non-Exchange Transactions, which treats refundable tax credits as cash transfers rather than tax expenditures.
17.	Australian Accounting Standards Board	B	<p>The AASB considers that there are potential overlaps between the definition of ‘social risk’ under ED 34 and ‘insurance risk’ under IFRS 4. The AASB considers that the IPSASB needs to conduct further research in this area.</p> <p>The AASB also notes that the definitions of ‘social benefits’ and ‘individual goods and services’ are not logical as both refer to the other.</p> <p>The AASB also notes that the differences in the three categories of social benefits are not necessarily clear and may require further clarification. The AASB also questions the need to differentiate between the three categories of benefit, other than to provide examples of the type of benefits addressed by the accounting standard, given that the principles underlying the accounting treatment should be the same for each.</p>
18.	Fédération des Experts Comptables Européens (FEE)	A	The definitions are sufficiently clear and comprehensive
19.	United Kingdom Accounting	B	The Consultation Paper ‘Social Benefits: Issues in Recognition and Measurement’ also notes that the line between cash transfers and individual goods and services is sometimes

	NAME	VIEW	COMMENT
	Standards Board		<p>blurred.</p> <p>An example, as highlighted in paragraph 16 of the proposed standard, could be the provision of housing benefits where entities may either transfer cash to households or tenants for repairs and maintenance (hence the transfer would fall within the scope of the ED) or carry out this work directly (in which case the service would fall outside the scope of the ED). We believe there is a risk that the distinction may have the unintended consequence on providing an incentive towards giving non-cash benefits (on the grounds these would not need to be disclosed). We therefore suggest that IPSASB consider having only two categories of social benefits, these being individual and collective goods and services. Cash transfers would then be a sub-set of individual goods and services.</p>
20.	International Actuarial Association	C	
21.	New Zealand Treasury	A	
22.	Government Accountability Office (USA)	A	We identified no significant issues with the definitions in paragraph 10. However, see our response to question 3 below with respect to threshold eligibility.
23.	Institut der Wirtschaftsprüfer (IDW); Germany	A	We agree with the definitions. However, the definition of social risks seems to be very broad. The definition refers to the welfare of individuals and households, which in our view, is difficult to determine and will vary from country to country.
24.	Tim Beauchamp	A	<p>I agree that the definitions are sufficiently clear and comprehensive. The following are suggested for your consideration:</p> <p>Social benefits are non-exchange cash transfers to individuals or households and collective and individual goods and services provided by an entity to individuals or households in a non-exchange transaction to protect the entire population, or a particular segment of the population, in any jurisdiction against certain social risks.</p> <p><u>Present value</u> is an undefined term.</p>
25.	United Nations System Task Force on Accounting Standards	B	<p>Proposes amendment of the definition of cash transfer programs in paragraph 10 as follows:</p> <p style="padding-left: 40px;">A cash transfer program is a program <u>passed into legislation</u> that operates to make cash transfers to an individual or household.</p> <p>Also proposes consequential amendments to commentary in paragraph 13 and Basis for Conclusions</p>

	NAME	VIEW	COMMENT
26.	Financial Reporting Advisory Board (UK)	A	The Board agrees that the new definitions in this ED are sufficiently clear and comprehensive.

SPECIFIC MATTER FOR COMMENT (3)

The requirements for the determination of amounts expected to be transferred to eligible individuals or households are appropriate (paragraphs 30–44). If you do not think that they are appropriate, please indicate what those requirements should be. Please state your reasons.

SUMMARY OF OVERALL VIEW

GENERALLY APPROPRIATE	A	8
INAPPROPRIATE	B	15
NO CLEAR VIEW EXPRESSED	C	3
TOTAL		26

Percentage supporting view (A) – out of those expressing view 35%
 Percentage supporting view (B) –out of those expressing view 65%

	NAME	VIEW	COMMENT
1.	Heads of Treasuries Accounting & Reporting Advisory Committee (HOTARAC)	B	<p>HoTARAC agrees that assumptions should generally be consistent between programs. However, in certain circumstances, there may be some rationale for having different assumptions, for example morbidity rate may be different for programs aimed at youth compared to programs for retirees.</p> <p>HoTARAC strongly disagrees with the reference to “market yield” at reporting date for the selection of the discount rate, which in effect is the “spot” rate. The application in Australia of this concept for determining the employee benefits provision under the equivalent of International Accounting Standard 19, has caused “high volatility” of the figure reported, which significantly impairs the assessment of the underlying provision. It is recommended that ED 34 clarifies that the “spot” rate at reporting date would generally not best reflect the time value of money.</p> <p>The source of assumptions publicly available applied in calculating the expected amount should be disclosed, for example Consumer Price Index, Gross Domestic Product, unemployment rate and so on.</p> <p>Assumptions should also include the probability that the social benefit payments will be claimed by the eligible individuals/households. In practice, there may be a major difference between the number of individuals or households who are eligible to apply for social benefits payments and the number of individuals or households who proceed to claim the social benefits.</p> <p>The amounts should be calculated on the total number of expected claimants to avoid a potential overestimate of future outflows.</p>

	NAME	VIEW	COMMENT
2.	Australasian Council of Auditors-General	B	<p>We do not believe that the requirements for determination of amounts expected to be transferred to eligible individuals or households are appropriate.</p> <p>In the determination of amounts that will be transferred to eligible individuals or households, the ED proposes that only individuals or households that meet eligibility criterion at reporting date will be used. Although this is a requirement that can be reliably measured, we question whether by limiting these requirements we also limit the relevance of the financial information presented. For example, a particular program may show a decrease in payments over time because at the reporting date it is expected that the number of currently eligible individuals or households will decrease. It does not take into account the expectation that over time many individuals and households, not currently eligible, will enter and leave the programs and receive payments. Unless these payments were included, we believe the proposed disclosures would lack relevance, and therefore not be useful to financial statement users.</p>
3.	New Zealand Controller and Auditor-General	B	<p>We do not agree with the requirements for the determination of amounts expected to be transferred to eligible individuals or households. As already noted, we believe the disclosures are not relevant or meaningful to users. We believe the IPSASB should be directing its resources towards the development of long term fiscal sustainability reporting rather than continuing to develop an IPSASB based on the ED.</p>
4.	New South Wales Treasury	B	<p>NSW Treasury believes this is prospective information, as it does not meet the recognition criteria of a liability. As such, we do not believe it should be disclosed in the audited financial report. In addition, this is arbitrary information that is potentially misleading; i.e. in terms of the assumptions ('continuous entitlement') and the limited scope of social benefits, without any comparable prospective information in terms of the tax revenues.</p>
5.	Governmental Accounting Standards Board (USA)	B	<p>We strongly believe that no amounts associated with expected transfers should be disclosed in the notes to the financial statements as a result of this project. Based on research conducted in the United States, we believe that a liability notion based on the "eligibility requirement" approach found in IPSAS 23, Revenue From Non-Exchange Transactions (Taxes and Transfers), and GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions (responding to the consultation paper), and presentations that will result from the Long-Term Fiscal Sustainability Reporting project (as set forth in the accompanying project brief) will provide financial statement users with significantly more relevant information than would be provided based on the "continuous entitlement" approach outlined in paragraph 32. The Federal Accounting Standards Advisory Board (FASAB)</p>

	NAME	VIEW	COMMENT
			<p>in the United States has performed extensive work in the area of social insurance and is currently working on fiscal sustainability guidance. The GASB also has an economic condition project on its research agenda that encompasses fiscal sustainability. We believe that the IPSASB can make substantial progress on this topic in a relatively short period of time with the help of national standard setters in the United States and around the world.</p> <p>In the interim, we are concerned that any amount required to be disclosed in the notes to the financial statements could potentially bias the results of any future liability recognition project. We have found that once governments go to the effort to collect data in order to calculate a prescribed amount for a particular purpose, they are less inclined to consider change for another purpose (for example, display as a liability) even when the appropriateness of another amount is clearly demonstrated.</p>
6.	Treasury Board Secretariat: Canada	B	Information suggested in the current proposal seems very onerous in the context of financial statements that are prepared on a timely basis and under audit scrutiny. It is also questionable whether the actuarial value of very long-term programs is necessary at the reporting date, as these numbers may change little for year-to-year.
7.	Japanese Institute of Certified Public Accountants	A	<p>We consider that the requirements for the determination of the amounts expected to be transferred to eligible individuals or households are appropriate, except for the following requirement.</p> <p>According to paragraph 19, if an entity is not able to identify non-exchange transactions and exchange transactions separately, it makes a judgment as to whether the program operates predominantly to provide benefits in the form of exchange or non-exchange transactions. It is our opinion that detailed guidance for this judgment is necessary.</p>
8.	French Social Security Administration	B	The requirements laid down in paragraphs 30-44 can not be selected for the French social security system according to the reasons stated above.
9.	South African Accounting Standards Board	A	The proposals in paragraph 30 to 44 are appropriate, and are consistent with other IPSASs that prescribe the measurement basis for long-lived actuarial provisions, for example, IPSAS 25 on Employee Benefits.
10.	Zurich University of Applied Sciences	B	We do not think that the paragraphs 30-44 are appropriate. From our perspective it seems that a presentation of the best estimate of the value of amounts expected to be transferred under cash transfer programs to eligible individuals or households is not a feasible presentation, as it reflect only the expenditures or expenses, but not the financing of the program. We are of the view that this is strongly misleading to the users of the financial statements. The amounts presented in the

	NAME	VIEW	COMMENT
			disclosure should present the net financial status of the program, rather than selected elements of this financial status. But also the expenditures/expenses determined as proposed by paragraphs 30-44 might be misleading, as the proposed eligibility criterion is only one of a few feasible criteria. Bottom line, we think the financial sustainability should rather be presented in a separate report, than in the financial statements.
11.	Ronald Points	C	
12.	Chartered Institute of Public Finance & Accountancy: United Kingdom	A	The requirements appear to be workable and appropriate. It would be helpful if the Basis for Conclusions for the final IPSAS could reinforce the point that these represent a pragmatic disclosure, rather than representing a preliminary view of the 'liability' which might be recognised in financial statements.
13.	Association of International Accountants	A	AIA agrees the requirements detailed are appropriate; however paragraph 31 states that the estimate should not be offset by estimates of inflows from other levels of government. This may make reporting inaccurate or imbalanced in the case of some public sector entities who, for example, make payments to council tenants and then receive contributions back from the government to cover the payments they have made.
14.	Institute of Chartered Accountants of Scotland	B	
15.	New Zealand Institute of Chartered Accountants	B	The FRSB is concerned that this amount will be misleading without also presenting additional information regarding a government's commitment to beneficiaries who are not currently eligible at the balance sheet date but will fulfil all the eligibility criteria in the future. It may be that the amount disclosed is much less than the total social benefit payments to be transferred in the future, giving a false view of future expenditure.
16.	Contrôleur des Finances: Gouvernement du Québec	B	<u>We</u> disagree with the exposure draft as a whole that proposes presenting, in the notes to the financial statements, the amounts that governments expect to subsequently pay to eligible individuals or households under cash transfer social programs, because it would be difficult to estimate the amount of future benefits payable to recipients in view of the many imponderables.
17.	Australian Accounting Standards Board	B	The AASB does not agree with the proposal to require disclosure of amounts expected to be transferred to eligible individuals and households under cash transfer programs.

	NAME	VIEW	COMMENT
18.	Fédération des Experts Comptables Européens (FEE)	A	The requirements appear to be workable and appropriate, as long as it is clearly understood that these represent a pragmatic disclosure, rather than representing a preliminary view of the 'liability' which might be recognised in financial statements.
19.	United Kingdom Accounting Standards Board	B	We note with interest the requirements in the proposed standard for determining the amounts expected to be transferred. These seem reasonable although, as mentioned in the covering letter, if a disclosure-only standard is issued, flexibility will need to be retained in terms of the conclusions that might be reached on measurement issues. We also note that the proposed requirement to disclose the present values of amounts to be transferred might seem to imply the amounts to be transferred are liabilities and should therefore be recognised as such in the balance sheet. We appreciate the need for present values but would suggest that disclosure of the periodic cost (or cash payments) in respect of social benefit programs might also be helpful.
20.	International Actuarial Association	C	
21.	New Zealand Treasury	B	<p>The Treasury does not think the amounts proposed to be disclosed are appropriate as they are incomplete and therefore may be misleading. The ED proposes that an entity shall determine the best estimate of the present value of amounts expected to be transferred under cash transfer programs to individuals or households eligible at the reporting date. The ED proposes the amount disclosed is the minimum amount expected to be transferred and this excludes projections of cash transfers for future potentially eligible individuals or households.</p> <p>The Treasury believes that this proposed amount serves no purpose for users of general purpose financial statements. It does not provide users with a good sense of the ongoing expenditure for a particular social benefit program. In our view, it does not represent an amount that would be recognised as a liability under either a currently enforceable or a due and payable definition, and consequently, its disclosure may confuse users about how the number relates to the financial statements.</p> <p>The Treasury agrees with paragraph 40 that any rate to discount amounts expected to be transferred under cash transfer programs should reflect time value of money. However the Treasury disagrees that the discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds (or another financial instrument, for example high quality corporate bonds in a deep and liquid market, where there is no deep market in government bonds). In countries like New Zealand, deep and</p>

	NAME	VIEW	COMMENT
			liquid corporate bond markets do not operate and government bond yields don't extend beyond a 10 year maturity and are subject to short term market movements. Discount rates referenced to these markets may produce volatility in valuations that are not appropriate when reporting long term obligations where underlying cash flows may extend over decades.
22.	Government Accountability Office (USA)	B	<p>It is our view that estimates of future cash transfers should be reported in a statement of fiscal sustainability. Such reporting would include transfers over a projection period sufficient to illustrate long-term sustainability. Adopting a general purpose financial reporting model and developing a conceptual framework that includes a statement of fiscal sustainability can provide readers and policy-makers with better information to formulate policy and understand the effects of current policy decisions on the financial condition and position of the government and the degree of its sustainability —information that is vital for effectively understanding the consequences and financial, social, and political implications of current government policies for social benefits in the context of all government revenues and program costs.</p> <p>Also, we have concerns about whether there is sufficient utility in reporting social benefit obligations based on threshold eligibility to financial statement users. A government typically has significant discretion in determining whether to continue or to modify social benefits. Therefore, presenting disclosures based on threshold eligibility and continuous entitlement might not represent a likely or even reasonable policy option for policy-makers or users to consider. Also, the proposed disclosures would not include dedicated revenues (which might be useful for assessing sustainability), and reported programs would likely have significantly different time horizons for the cash transfers (some short, some significantly long). However, dedicated revenues and consistent time horizons should be considered in long-term fiscal sustainability reporting.</p>
23.	Institut der Wirtschaftsprüfer (IDW): Germany	A	<p>In general, we agree with the determination of the present value of amounts expected to be transferred under cash transfer programs to eligible individuals or households. Nevertheless, we miss an explanation or definition what the “best estimate” of the present value is (see e.g. IAS 37.36 et seqq.).</p> <p>The regulation that the estimate is determined on the basis of continuous entitlement is a useful simplification and allows practice to make the necessary calculation. In accordance with IPSAS 25.91 et seqq., ED 34 proposes to use as discount rate the market yields at the reporting date on government bonds. In order to reduce volatility in the discount rate, we believe that it is appropriate to use an average long-term rate as discount rate instead.</p>

	NAME	VIEW	COMMENT
24.	Tim Beauchamp	A	<p>The ED calls for an entity to determine its best estimate of the present value of the amounts to be transferred under cash transfer programs. Present value is not a basis of measurement, but a valuation technique that may be used within historical cost-based or current-value models.</p> <p>I agree with the use of present value techniques for making the estimate of historical cost or current value associated with cash transfers.</p> <p>Present value techniques are used in specific Canadian public sector accounting standards but the accounting objective is to attribute the costs of employee benefits, for example, to the periods in which the related employee services are rendered.</p>
25.	United Nations System Task Force on Accounting Standards	C	
26.	Financial Reporting Advisory Board (UK)	A	<p>The Board considers the requirements for the determination of amounts expected to be transferred to individuals or households to be appropriate. However, the Board notes that agreement has not yet been reached on the measurement issues in the accompanying Consultation Paper on Recognition and Measurement, and is in advance of the conceptual framework project work that will consider what is a government liability.</p>

SPECIFIC MATTER FOR COMMENT (4)

The disclosure requirements in paragraph 45 are appropriate. If you think that they are unduly onerous, which disclosures should not be required? Conversely, if you think that the disclosures are inadequate, what further disclosures would you include? Please state your reasons.

SUMMARY OF OVERALL VIEW

GENERALLY APPROPRIATE	A	11
INAPPROPRIATE OR UNDULY ONEROUS	B	10
NO CLEAR VIEW EXPRESSED	C	5
TOTAL		26

Percentage supporting view (A) – out of those expressing view 52%
Percentage supporting view (B – out of those expressing view 48%

	NAME	VIEW	COMMENT
1.	Heads of Treasuries Accounting & Reporting Advisory Committee (HOTARAC)	A	<p>To be useful, disclosure should, as a minimum, require information about the general nature of government receipts expected to fund the social benefits cash transfer reported.</p> <p>A summary table of all the major programs and the aggregated amount for the remaining programs would be useful. This would provide a comparison between the programs as well as reporting the total amount of social benefits for the period.</p> <p>For each of the major programs, the disclosure requirement should include the timing of the payments and revalidation points. This would assist comparability and provide useful information on the timing of significant cash outflows. In the instance where earmarked receipts are disclosed, the timing of inflows and outflows would provide useful information as to the government financial position. The absence of this disclosure is one of the major reasons HoTARAC supports long-term sustainability disclosures rather than the principles in ED 34.</p> <p>Paragraph 38: The standard should state that, generally, assumptions should be consistent, however if circumstances require different assumptions, rationale for this needs to be clear.</p> <p>Paragraphs 46, 48 and 51: (Australian context only) Consistent with the AASB’s policy, the Standard should spell out what is required and should not contain “encouragement for additional items”.</p> <p>Paragraph 47: as well as recent growth, materiality</p>

	NAME	VIEW	COMMENT
			<p>assessment should add the expected future growth to the quantitative factors.</p> <p>Paragraph 49: the statement referring to IPSASB 1, which is a financial statements requirement, is out of place. Again, this is an unnecessary duplication, if proposed disclosures are incorporated into a GPFR.</p>
2.	Australasian Council of Auditors-General	A	<p>The proposed disclosure requirements set out in paragraph 45 are comprehensive. To further improve disclosure, a statement to the effect that the government has no present obligation to pay those social benefits would be useful.</p> <p>We do not agree that the requirements of paragraph 45(b) are appropriate. We do not consider that a net present value of payments to only those eligible at reporting date is relevant information. We are concerned that this disclosure would also be difficult to understand and explain to users.</p> <p>As an alternative, we believe that disclosure would be enhanced if disclosures:</p> <ul style="list-style-type: none"> • were presented by specified time bands e.g. less than one year, one to five years, five to ten years; • present the sum of expected payments to individual and households at reporting date plus projections of individuals and households entering and leaving the programmes; and • based on amounts expected to be paid, rather than the entitlement level at reporting date. <p>We are also mindful of the ever increasing requirements on entities to disclose financial information in their financial statements. We would want to ensure that if the disclosures were adopted, their usefulness would far outweigh the additional cost of including them. In this regard, we believe the requirements of 45(a) and 45(c) to be excessive. A government agency may have many programs, and to detail every program and list every piece of legislation could be onerous. Although the ED allows these disclosures to be made in summary form, this also poses problems, particularly in attempting to summarize meaningfully many separate pieces of legislation.</p>
3.	New Zealand Controller and Auditor-General	B	<p>The disclosure requirements of the ED are not relevant or meaningful to users and have the potential to be misleading or to be misinterpreted by users.</p> <p>We believe that the costs of producing the majority of the disclosures proposed in the ED will far outweigh the benefits, if any, of the introduction of these requirements.</p> <p>One disclosure that we do support is set out in paragraph 45(i) of the ED and relates to disclosure of the accounting policies</p>

	NAME	VIEW	COMMENT
			<p>and amounts of expenses and liabilities relating to cash transfers. However, we would expect these disclosures to be made anyway as a result of the application of IPSAS, notably IPSAS 1 presentation of financial statements (IPSAS 1), given the significance and materiality of such transactions in relation to the financial statements.</p> <p>With the exception of the disclosure requirement in paragraph 45(i) of the ED discussed above, we do not believe that the IPSASB should require the disclosures proposed in the ED. Instead we believe the IPSASB should be directing its resources towards the development of long term fiscal sustainability reporting.</p>
4.	New South Wales Treasury	C	As NSW Treasury does not support the Exposure Draft, it is premature to discuss the appropriateness of disclosure requirements.
5.	Governmental Accounting Standards Board (USA)	B	<p>No. As noted above, we do not believe that the disclosure requirements associated with the calculation of a “continuous eligibility” amount is an appropriate note disclosure. We do not believe that this amount either meets the definition of a liability or would provide relevant information as effectively as presentations based on a fiscal sustainability notion. The elimination of the associated requirements found in 45 (b), (d), (f), and (g) would significantly reduce the complexity of the disclosure requirement.</p> <p>Even with the elimination of the disclosures associated with the “continuous entitlement” amount, we are still concerned that the disclosure requirement will be too onerous for many large governments. These governments administer hundreds of cash transfer programs. We do not believe that the materiality provision contained in paragraph 13 of IPSAS 1, Presentation of Financial Statements, provides adequate guidance for this situation. Using a principle-based standards approach, the term “major program” would signal to financial statement preparers and users that information about only the most significant programs (generally, only a few) would be presented.</p>
6.	Treasury Board Secretariat: Canada	B	Disclosure on the principal assumptions and their impacts also goes further than the current requirements on future benefit accounting and should be pared down. Experience has shown that this type of information can only be understood by technical users and generally is a turn-off for other users of the statements.
7.	Japanese Institute of Certified Public Accountants	A	<ul style="list-style-type: none"> Disclosures that should not be required; (g) Whether a qualified actuary has been used in the determination of the principal assumptions and, if so, whether that actuary is an employee of the reporting entity or an external engagement; Because an entity shall disclose the principal assumptions used at the reporting date, it need not disclose whether a qualified actuary has been used, and this

	NAME	VIEW	COMMENT
			<p>disclosure is not required in IPSAS 25 or IAS19.</p> <ul style="list-style-type: none"> The disclosures that should be included: The eligibility criteria should be included in paragraph 45(a). It is included in illustrative disclosures, but it should be included in the disclosure requirements.
8.	French Social Security Administration	C	
9.	South African Accounting Standards Board	A	<p>The Board does not believe that any of the disclosures listed in paragraph 45 are too onerous.</p> <p>Paragraph 45(e) refers to ‘the basis on which benefits will be increased in future’. The Board proposes that a similar requirement be added for the decrease of benefits (similar to a curtailment of a defined benefit plan under IPSAS 25 on Employee Benefits), by either adding a separate requirement or by modifying 45(e) as follows: “The basis on which benefits will be increased or decreased in future”.</p> <p>Paragraph 45(g) refers to the use of a ‘qualified actuary’. In the South African context, it was debated whether only an actuary could be used, or whether another ‘professional valuer’ could be used. It was argued that the calculation of the obligation required a quantification of social, political and economic factors, and that an actuary would not be able to make these projections on his or her own without the use of, for example, experts in the area of government policy.</p> <p>The Board proposes to amend paragraph 45(g) as follows: Whether an qualified actuary expert or professional valuer has been used in the determination of the principal assumptions and, if so, whether that expert or professional valuer actuary is an employee of the reporting entity or an external engagement.</p> <p>This aspect of the measurement of cash transfers for the purposes of ED 34 should also be considered when developing guidance on the recognition and measurement of social benefits.</p>
10.	Zurich University of Applied Sciences	A	<p>In general we think that the disclosure requirements in paragraph 45 are appropriate, however, with one notable exception:</p> <p>At 45 (b) as stated in our answer to SMC 3, we are of the view that the amount presented should include both expenses and revenues, stating the net financial status of the program</p>
11.	Ronald Points	C	

	NAME	VIEW	COMMENT
12.	Chartered Institute of Public Finance & Accountancy: United Kingdom	A	<p>The disclosure requirements in paragraph 45 are appropriate, when taken in conjunction with the guidance in paragraph 47 which provides for materiality criteria to be used in determining the level of disclosure.</p> <p>On a point of detail, we suggest that the paragraph 45(b) disclosure, which is defined in terms of ‘eligibility at the reporting date’, could be described more clearly by explicitly noting that it does not include anything in respect of payments which might be made to individuals or households which become eligible after that date.</p>
13.	Association of International Accountants	B	<p>The disclosure requirements follow naturally from the document; however, AIA believes that some entities may struggle to provide the information with any accuracy without implementing new reporting systems which could be cost onerous.</p>
14.	Institute of Chartered Accountants of Scotland	B	<p>We are concerned that the proposals will not improve the quality of financial reporting by the public sector and would probably be exceedingly costly to implement.</p>
15.	New Zealand Institute of Chartered Accountants	B	<p>If the IPSASB decides to proceed with developing a standard on the disclosure of social benefits, then in order to make a disclosure standard useful for the users of financial statements and so that this information can form the basis of requirements for future standards in this area, the FRSB makes the following recommendations:</p> <ul style="list-style-type: none"> • that narrative disclosures should be required for all social benefits that the entity has committed itself to deliver, focused primarily on individual goods and services and cash transfers; • that quantitative disclosures should be limited to disclosure of expenditure and amounts accrued at the balance sheet date for social benefits; and • that the disclosures be differentiated between those that are related to long-term fiscal sustainability reporting and those relating to the financial statements.
16.	Contrôleur des Finances: Gouvernement du Québec	B	<p>The presentation of any information required in paragraph 45 for each cash transfer program would make the financial statements, which are already voluminous enough in view of the existing presentation requirements, more cumbersome.</p>
17.	Australian Accounting Standards Board	B	<p>The AASB does not agree with the disclosures proposed by ED 34 and would propose only a minimum level of disclosure.</p> <p>However, if the IPSASB is to continue with its proposals to require more detailed quantitative and qualitative disclosures, the AASB would propose more comprehensive disclosure along the following lines: that all public sector entities (not just those using the accrual basis of accounting) disclose the</p>

	NAME	VIEW	COMMENT
			<p>following information:</p> <ol style="list-style-type: none"> 1. a general description of all the social benefits programs in place during the reporting period, including the principal legislation and regulations governing the programs (ED 34 only requires information in relation to cash transfer programs); 2. a general description of programs that have been amended or discontinued since the reporting date (this is similar to the proposed disclosure in ED 34 paragraph 45(h); and 3. the entity's accounting policy for recognising expenses and liabilities related to all social benefits programs (ED 34 only requires information in relation to cash transfer programs). <p>Where such information is available in other reports, public sector entities should be able to cross reference to these other reports in their financial statements.</p> <p>In addition, public sector entities using the accrual basis of accounting should disclose information about the amounts due and payable under social benefits programs as at the reporting date, by program.</p> <p>The AASB also notes that if the IPSASB is to continue with its proposals to require more detailed quantitative and qualitative disclosures it might want to consider disclosure of expected future cash flows over set timeframes — for example it could consider expected cash flows within the next 12 months, expected cash flows between 12 months and 2 years and expected cash flows beyond 2 years.</p>
18.	Fédération des Experts Comptables Européens (FEE)	A	The disclosure requirements in paragraph 45 are appropriate, when taken in conjunction with the guidance in paragraph 47 which provides for materiality criteria to be used in determining the level of disclosure.
19.	United Kingdom Accounting Standards Board	A	<p>We consider the proposed disclosure requirements are appropriate and should convey useful and relevant information to users of the financial statements. The disclosures will however need to be understandable and complement the information on expenses and liabilities for social benefit programs that may already be being reported in the primary statements.</p> <p>In terms of the detailed disclosures we would suggest:</p> <ul style="list-style-type: none"> • In addition to information on the present value of the amounts expected to be transferred (paragraph 45 (b) of the ED), IPSASB also consider requiring information to be disclosed on the periodic cost (or cash payments) in respect of social benefit programs for future periods. This might be analysed by expected date, for example less than one year, 2 to 5 years, 6 to 15 years, 16 to 30 years and over 40

	NAME	VIEW	COMMENT
			<p>years.</p> <ul style="list-style-type: none"> • A requirement for sensitivity analysis might be introduced. This would complement the disclosures required in paragraph 45(f) on changes to the principal assumptions since the last reporting date;
20.	International Actuarial Association	C	
21.	New Zealand Treasury	B	<p>Treasury believes that for social benefit programs, any quantitative disclosures should be linked to amounts expensed and liabilities recognised in the financial statements. In our view, qualitative disclosures should include narratives of all social benefit programs that the government has committed to, including collective goods and services and individual ones.</p> <p>The Treasury asks the IPSASB to consider where qualitative disclosures about social benefit programs should be reported to best meet the needs of the users. The Treasury sees two main reporting areas for social benefit expenditure and obligations. Firstly there is an historical perspective e.g. what was spent on social benefits last year compared to forecasts and prior periods, and secondly are the current social benefit programs fiscally sustainability in the future.</p> <p>The consolidated Financial Statements of the Government of New Zealand provides a list of the social benefit expenses compared to forecast and the prior year. Individual agencies disclose detailed narrative and analysis of amounts expensed against social benefit programs that they administer in their separate financial statements. This goes some way to provide users with an historical perspective. The Treasury is concerned that duplication of the same detailed disclosures in both the subsidiary and the consolidated entity financial statements may occur under ED 34</p> <p>The Treasury believes that the information to assess the future sustainability of current social benefit programs would not fit well in financial statements that are primarily focused on the historical performance of an entity and accountability to users at the reporting date. In our view disclosures relating to long-term fiscal sustainability reporting should be in a stand-alone report which is fit for its specific purpose.</p>
22.	Government Accountability Office (USA)	B	<p>We believe that the disclosure requirements in paragraph 45 will require a significant undertaking for governments to develop the capacity to collect and analyze the required data and acquire technological resources to facilitate this analysis. Accordingly, some governments may not be able to comply with the disclosure requirements for a number of years. Further, developments in the conceptual framework and long-term fiscal sustainability reporting projects could very well</p>

	NAME	VIEW	COMMENT
			make the information included in the disclosures less relevant. Also, the requirements in paragraph 45 include that the entity shall disclose the required data for each cash transfer program—no matter how small the program budget--which adds to our concerns about the cost-benefit of the proposed standard
23.	Institut der Wirtschaftsprüfer (IDW); Germany	A	The disclosure requirements are appropriate, especially because voluntarily disclosures are not prohibited. But to us, the disclosure requirement of ED 34.45 e) is not clear (“The basis on which benefits will be increased in the future.”). We assume that in case there is an automatic increase of the cash transfers the basis for the increase as stipulated in legislation should be given (e.g. rate of inflation). We would appreciate if the IPSASB clarifies this point.
24.	Tim Beauchamp	A	I agree with the disclosures proposed but suggest: That the information would be more complete if the additional information that entities are “encouraged” to report in paragraph 46 relating to the timing of payments is required. This may be important given the demographic situation faced by a government. For example, some situations may represent a relatively even flow of cash outflows. In others, however, the cash outflows may “spike” in certain years. If this information is known, it too should be disclosed. Disclosures should include the date of the last actuarial valuation and basis upon which extrapolations of estimates has been made in the interim if estimates are not re-measured on an annual basis.
25.	United Nations System Task Force on Accounting Standards	C	
26.	Financial Reporting Advisory Board (UK)	A	The Board considers the proposed disclosure requirements to be appropriate

SPECIFIC MATTER FOR COMMENT (5)

The disclosure requirements in paragraph 45 are going to provide information that is verifiable. If you think that the disclosure requirements are not going to provide information that is verifiable, please identify the specific disclosures and state what those implications are.

SUMMARY OF OVERALL VIEW

VERIFIABLE	A	12
NOT VERIFIABLE	B	4
NO CLEAR VIEW EXPRESSED	C	10
TOTAL		26

Percentage supporting view (A) – out of those expressing view 75%
 Percentage supporting view (B) – out of those expressing view 25%

	NAME	VIEW	COMMENT
1.	Heads of Treasuries Accounting & Reporting Advisory Committee (HOTARAC)	C	<p>HoTARAC members generally agree with these requirements. HoTARAC is however unsure as to whether IPSASB’s proposal mandates audit of the additional disclosures.</p> <p>HoTARAC is of the view that certain requirements appear to be very subjective and may hinder the audit process. In Australia, some jurisdictions have encountered difficulties in achieving a consensus with their auditors when the use of “best estimate” is open to interpretation.</p> <p>In the instance where audit is mandated, authoritative and clear guidance must be issued to ensure consistency, comparability and verifiability of the estimated future cash transfer obligations.</p>
2.	Australasian Council of Auditors-General	A	<p>As the information that is provided in the disclosure is predominantly based on historical information, information should be verifiable. Assumptions also are important in calculating future social benefits payable, but we believe these could also be verified.</p>
3.	New Zealand Controller and Auditor-General	A	<p>We believe the disclosure requirements will be verifiable. However, as already noted we do not support the disclosures. We support the disclosure of information regarding social benefit programs through long term fiscal sustainability reporting.</p>
4.	New South Wales Treasury	B	<p>There is an inherent difficulty in verifying prospective information. Auditors tend to limit the scope of their work when reporting on prospective information due to inherent uncertainties regarding the achievement of the projections. However, even if verifiable, the information would be incomplete, arbitrary and misleading because only some social benefits would be disclosed and equivalent information is not</p>

	NAME	VIEW	COMMENT
			reported regarding expected tax revenue.
5.	Governmental Accounting Standards Board (USA)	B	We believe that if the disclosures associated with the “continuous entitlement” amount are eliminated, the disclosure requirements would be verifiable
6.	Treasury Board Secretariat: Canada	C	
7.	Japanese Institute of Certified Public Accountants	C	
8.	French Social Security Administration	C	
9.	South African Accounting Standards Board	A	<p>The Board believes that the disclosures in paragraph 45 are verifiable. It does not however believe that some of the disclosures in paragraph 46 are verifiable.</p> <p>Paragraph 46 states the following: “An entity is also encouraged to disclose broader assessments of the projected inflows and outflows associated with particular programs, so as to enhance the ability of users to assess the sustainability of those programs in the future. Where an entity discloses projections of outflows and inflows in relation to programs providing social benefits that exceed the requirements in this Standard, the entity is required to identify separately the information required by this Standard.”</p> <p>Based on discussions with auditors in our jurisdiction, it would be preferable that information about inflows and outflows associated with a particular programme not be included in the financial statements but presented elsewhere in the annual report. They did not believe that this information should form part of the statutory audit of the financial statements, and did not believe that this information was verifiable. As these disclosures form part of the long-term fiscal sustainability project, the Board proposes that this particular disclosure be deleted from ED 34.</p> <p>The last sentence of paragraph 46 requires entities to distinguish ‘required’ from ‘encouraged’ disclosures in relation to the projected inflows and outflows of cash transfer programs. It is not customary to distinguish ‘required’ and ‘encouraged’ disclosures in the financial</p>

	NAME	VIEW	COMMENT
			statements, and would not provide any value to users of the financial statements. The Board proposes that the disclosures not be separated into 'required' and 'encouraged' disclosures.
10.	Zurich University of Applied Sciences	A	<p>We do think that paragraph 45 is going to provide information that is verifiable. However, please be aware that the information is only verifiable if some experience in this field is available. This is not necessarily the case for all members of the audit profession.</p> <p>We are also of the view that comparability of the disclosure between different entities is very limited due to the high degree of freedom the proposed standard offers to the presenters.</p>
11.	Ronald Points	C	
12.	Chartered Institute of Public Finance & Accountancy: United Kingdom	A	In principle, the disclosure requirements should be verifiable, although there may be transitional difficulties
13.	Association of International Accountants	C	Verifiability may only be possible by the introduction of new reporting systems which, as stated above, will be cost onerous. AIA proposes that this should be reflected in the lead time for compliance with the standard.
14.	Institute of Chartered Accountants of Scotland	C	
15.	New Zealand Institute of Chartered Accountants	C	The FRSB considers that the quantitative disclosures that it has suggested above, i.e. expenditure and amounts accrued at the balance sheet date for social benefits, are verifiable. For the narrative disclosures that it has suggested, i.e. a description of the social benefits that the entity has committed itself deliver, the level of verifiability may be lower than that required for disclosures in the financial statements. Therefore, the FRSB considers that it is important that the IPSASB determine the most appropriate document for these disclosures, as suggested in Question 4 above.
16.	Contrôle des Finances: Gouvernement du Québec	B	Because of the estimation difficulties resulting from imponderables, it would not be possible to verify the information disclosed.
17.	Australian Accounting Standards Board	A	Notes that the IPSASB is currently considering the place of verifiability in its conceptual framework. The IASB considers verifiability a quality of information that may assure users that information faithfully represents the economic phenomena that it purports to represent

	NAME	VIEW	COMMENT
			The AASB has received mixed feedback from its constituents in relation to whether information required to be disclosed under ED 34 would or would not be verifiable. Given the definition of verifiability noted above, any model which introduces prospective accounting is likely to have initial problems with verifiability until preparers, users and auditors become more familiar with the models in place. However, whilst there might be differences in judgment, and whilst it might be challenging to reach a general consensus, it has not been suggested to the AASB that the measurement process could not be agreed upon and audited.
18.	Fédération des Experts Comptables Européens (FEE)	A	In principle, the disclosure requirements should be verifiable, although there may be transitional difficulties.
19.	United Kingdom Accounting Standards Board	B	The proposed requirements allow considerable scope for entities to report the information which they consider appropriate in terms of meeting the requirements of the proposed standard. Whilst this approach appears reasonable, it is likely to raise issues for auditors.
20.	International Actuarial Association	C	
21.	New Zealand Treasury	A	The Treasury considers that any quantitative numbers which are linked to amounts recognised in the financial statements are verifiable. Qualitative disclosures are more subjective and are likely to have a lower level of verifiability than other note disclosures.
22.	Government Accountability Office (USA)	A	Our view is that the information can be audited by auditors to the extent that management provides them the evidence to support their estimates. For the 2007 Financial Report of the U.S. Government, GAO provided an unqualified opinion on the Statements of Social Insurance, which presents long-term projected receipts and benefits for social insurance programs. In that regard, the American Institute of Certified Public Accountants issued Statement of Position 04-1, Auditing the Statement of Social Insurance, which provides related audit guidance
23.	Institut der Wirtschaftsprüfer (IDW); Germany	A	We think that the disclosure requirements are going to provide information that is verifiable.
24.	Tim Beauchamp	A	Provided that an actuarial cost method is used, when appropriate, information should be verifiable. This comment is based on the assumption that is defined as information that knowledgeable and independent observers would concur is in agreement with the actual underlying transaction or event with a reasonable degree of precision. Verifiability focuses on the correct application of a basis of measurement rather than its

	NAME	VIEW	COMMENT
			appropriateness
25.	United Nations System Task Force on Accounting Standards	C	
26.	Financial Reporting Advisory Board (UK)	A	The Board views that the proposed disclosure requirements to be generally verifiable, but there may be consistency issues for auditors given the considerable scope for entities in reporting the information.

SPECIFIC MATTER FOR COMMENT (6)

The implementation arrangements are appropriate (paragraphs 50–53). If the implementation arrangements are inappropriate, please specify how you would change them. Please state your reasons.

SUMMARY OF OVERALL VIEW

APPROPRIATE	A	13
INAPPROPRIATE	B	2
NO CLEAR VIEW EXPRESSED	C	11
TOTAL		26

Percentage supporting view (A) – out of those expressing view 87%
 Percentage supporting view (B) – out of those expressing view 13%

	NAME	VIEW	COMMENT
1.	Heads of Treasuries Accounting & Reporting Advisory Committee (HOTARAC)	A	HoTARAC considers that these arrangements are appropriate.
2.	Australasian Council of Auditors-General	A	If a standard was to be adopted we agree with the extended timeframe proposed for implementation. This is a new area of financial statement reporting which will require a substantial amount of preparation and work.
3.	New Zealand Controller and Auditor-General	C	
4.	New South Wales Treasury	C	
5.	Governmental Accounting Standards Board (USA)	B	If the disclosures associated with the “continuous entitlement” amounts are eliminated and our other suggestions are adopted, we believe that the effective date of the standard can be accelerated. The standard could become effective one year after issuance.
6.	Treasury Board Secretariat: Canada	C	
7.	Japanese Institute of Certified Public Accountants	A	
8.	French Social Security Administration	B	

	NAME	VIEW	COMMENT
9.	South African Accounting Standards Board	A	Based on the input from preparers of the financial statements, at least two reporting periods are required to collate and verify data before the disclosure of such information is required in the financial statements. By making the Standard effective for at least two reporting periods after the date of issue, sufficient time would have been allowed.
10.	Zurich University of Applied Sciences	A	Yes, we fully agree that the implementation arrangements are appropriate
11.	Ronald Points	C	
12.	Chartered Institute of Public Finance & Accountancy: United Kingdom	A	
13.	Association of International Accountants	A	AIA agrees that the implementation arrangements are appropriate but suggests that clarification on the extent of comparative data could be useful, e.g. one year or more?
14.	Institute of Chartered Accountants of Scotland	C	
15.	New Zealand Institute of Chartered Accountants	A	
16.	Contrôleur des Finances: Gouvernement du Québec	C	
17.	Australian Accounting Standards Board	C	
18.	Fédération des Experts Comptables Européens (FEE)	A	
19.	United Kingdom Accounting Standards Board	A	We agree with the proposal not to require comparative information in the first year of implementation. We also consider that it is reasonable to require implementation two years after issuance, but would encourage early adoption particularly as the proposed standard represents an interim measure

	NAME	VIEW	COMMENT
20.	International Actuarial Association	C	
21.	New Zealand Treasury	A	
22.	Government Accountability Office (USA)	C	
23.	Institut der Wirtschaftsprüfer (IDW): (Germany)	A	
24.	Tim Beauchamp	C	
25.	United Nations System Task Force on Accounting Standards	C	
26.	Financial Reporting Advisory Board (UK)	A	The Board agrees that it is reasonable to expect implementation two years after the Standard is issued, and supports the proposal that comparative information would not be required in the first year of adoption.

ANALYSIS OF RESPONSES TO CONSULTATION PAPER, “SOCIAL BENEFITS: ISSUES IN RECOGNITION AND MEASUREMENT”

SPECIFIC MATTER FOR COMMENT (1)

Do you agree that, within the constraints of the current implied conceptual framework for general purpose financial reporting, current financial statements such as the statement of financial position and the statement of financial performance cannot convey sufficient information by themselves to users about the financial condition of governmental programs providing social benefits? Please state your reasons.

SUMMARY OF OVERALL VIEW

AGREE	A	17
DISAGREE	B	1
NO CLEAR VIEW EXPRESSED	C	6
TOTAL		24

Percentage supporting view (A) – out of those expressing view 94%

Percentage supporting view (B) – out of those expressing view 6%

	NAME	VIEW	COMMENT
1.	Heads of Treasuries Accounting & Reporting Advisory Committee (HOTARAC)	A	<p>HoTARAC agrees with this statement. Financial statements are based on past events, which can provide useful information for evaluating the financial performance/position of an entity, but do not fulfill all needs of users with regards to social benefit programs. Social benefits reporting would be improved with information on the future expenditure and financing of these programs. However, this information should not be included within financial statements.</p> <p>In HoTARAC’s view, the framework would require significant modification to the definition of a liability to allow for the social benefits inclusion. However, inclusion would result in inconsistencies between Balance Sheet items and would impair the understandability and comparability of the financial statements various components. Therefore, it would be of little relevance to users. A practical example of the impact resulting in massive social benefits liabilities being reported and impairing the readability would be the United States Government, which in its 2007 Financial Report, reported an off Balance Sheet item of Social Insurance Responsibilities in the order of US\$45 trillion, whereas its total recognised liabilities are just under US\$11 trillion.</p> <p>The IASB Framework (paragraph 13) acknowledges that financial statements do not provide all the information that users may need to make economic decisions since they largely portray the financial effects of past events and do not necessarily provide non-financial information. The financial</p>

	NAME	VIEW	COMMENT
			statements should be read in conjunction with other financial and non-financial information, such as the Annual Report, the Budget, and the long-term sustainability report.
2.	Australasian Council of Auditors-General	A	<p>We agree that within the current conceptual framework the statement of financial position and the statement of financial performance cannot convey future financial conditions of programs providing social benefits.</p> <p>We are not convinced that changes to these statements are essential to achieve the objective of adequately informing users of the future costs of social benefit programs. We believe that appropriate disclosures can achieve this objective. The advantage of note disclosure is that it is not constrained by the recognition and measurement principles of the accounting framework.</p> <p>If financial statements were to include future social benefit payments as a liability, the accounting framework would have to change substantially to allow the recognition of other expected future cash inflows and outflows. We would expect that if this were the case, the recognition and measurement techniques in the consultation paper would also apply to a wide range of other items.</p> <p>While we acknowledge the importance of managing the fiscal sustainability of the provision of social benefit programs in the future, we do not believe the current recognition and measurement principles should be partially revised to allow this. If further work was to be done on reporting fiscal sustainability into the future, we believe it should be done as a separate reporting framework.</p>
3.	New Zealand Controller and Auditor-General	A	<p>We agree, within the constraints of the current implied conceptual framework for general purpose financial reporting, that historical financial statements in isolation cannot convey sufficient information about the financial condition of governmental programs providing social benefits.</p> <p>We believe that users will have questions regarding the ongoing viability of social benefit programs, which in our view historical financial statements can not answer.</p> <p>In our view the needs of users for information about governmental programmes providing social benefits would be better met by the IPSASB further developing long term fiscal sustainability reporting.</p>
4.	New South Wales Treasury	A	NSW Treasury agrees with this statement. Financial statements are based on past events, which can provide useful information for evaluating the financial performance/position of an entity but do not fulfill all needs of users with regards to social benefit programs. Social benefit reporting may be improved with information on the future expenditure and financing of these programs. However, this information should not be

	NAME	VIEW	COMMENT
			included within financial statements. Inclusion would result in inconsistencies between balance sheet items and would impair the comprehension and comparability of the financial statements. The IASB Framework (paragraph 13) acknowledges that financial statements do not provide all the information that users may need to make economic decisions since they largely portray the financial effects of past events and do not necessarily provide non-financial information. The financial statements should be read in conjunction with other financial and non-financial information, such as provided in the annual report and in Government budgets. This is equally true for social benefits information as with other aspects of the government's operations.
5.	Treasury Board Secretariat: Canada	C	Question whether accounting standards are the appropriate means to address long-term fiscal sustainability reporting.
6.	Japanese Institute of Certified Public Accountants	A	We agree with the position of the IPSASB. In order to provide information about a government that is useful to users of general purpose finance reports for accountability purposes and for making resource allocation, and political and social decisions, prospective information about their social programs is very important, but current financial statements cannot convey sufficient information.
7.	French Social Security Administration	C	
8.	South African Accounting Standards Board	A	The framework governing financial statements is particularly limiting in the following areas: <ul style="list-style-type: none"> • The current definition of a liability states that a liability can only be recognised based on a past event occurring, which will result in the probable outflow of resources. It would be useful for users of the financial statements to obtain an understanding of the projections for a social benefit programme based on more than just, for example, those participants which have currently satisfied eligibility criteria. It would be useful to understand the impact of other demographic factors on social benefit obligations, such as population growth. These demographic factors cannot be considered currently in determining a social benefit obligation for financial statement purposes as it a prospective rather than a historical assessment. • The right of government to levy taxes would not meet the current definition of an asset. As a result, entities recognise obligations to provide certain social benefits on an ongoing basis, but do not recognise a corresponding asset for the right to levy future taxes. Entities may, in terms of IPSAS 23 have an asset for taxes to be received, but this asset will be limited to those taxes that are receivable as a result of a

	NAME	VIEW	COMMENT
			<p>taxable event having occurred during a particular reporting period. In making social policy decisions, it is important to understand how social benefit programmes will be funded not only in the current reporting period, but also into the future.</p> <ul style="list-style-type: none"> It is therefore important to understand the full extent of both inflows and outflows related to social benefit programmes, determined on an economic basis rather than within the current limits of the implied conceptual framework for financial statements. This information would assist in assessing the adequacy of the revenue base to sustain social benefit programmes into the future..
9.	Zurich University of Applied Sciences	A	We do agree that current financial statements cannot convey sufficient information by themselves to users about the financial condition of governmental programs providing social benefits. We are of the view that both commitments for expenses and revenues should be presented in order to enable the reader to appraise the financial situation including the social benefits programs.
10.	Local Government Accounting Standards Board: Netherlands	B	The Dutch governmental statements of financial position and the statements of financial performance present the social benefits actually granted in comparison to the legally authorised budget. In the Netherlands we generally have elections every fourth year regarding local and central government. This may result in fresh decisions on for instance social benefits. After the elections the new coalition presents a multi-year political statement. This concerns also the short- and mid-term sustainability of budgets. Political parties also present their long-term vision on sustainability of costs and funding on social benefits. By voting the Dutch inhabitants can decide on their preferred version. In a democracy with public annual budgets and public annual reports the users are provided with the required financial information and they also do have political influence.
11.	Chartered Institute of Public Finance & Accountancy: United Kingdom	A	<p>The current implied conceptual framework for financial statements uses a definition of liability which does not encompass substantial government commitments, for example in respect of old age pensions and other long-term social benefits. These commitments are in principle avoidable, but in practice will often be unavoidable unless there are problems with affordability, when a special and problematic dialogue with citizens will be required. Information on these commitments is important information for citizens and policy makers. It could be attached to financial statements in management commentary or other reports, although there is no established methodology for presenting this information.</p> <p>Current conceptual frameworks also do not address long term affordability issues. Affordability information is important, and</p>

	NAME	VIEW	COMMENT
			under current frameworks could be included in management commentary.
12.	Institute of Chartered Accountants of Scotland	C	
13.	Association of Chartered Certified Accountants	C	We wonder whether debate ought really to focus on “what is a government liability”, rather than trying to fit social benefits within a framework of IAS 37.
14.	New Zealand Institute of Chartered Accountants	A	Yes. The FRSB responded to the IPSASB’s predecessor organisation, IFAC’s Public Sector Committee’s Invitation to Comment (ITC) on Accounting for Social Policies of Governments ¹ . In that submission, the FRSB considered that there is an information gap in the financial reports of governments that cannot be filled solely by financial statements. Users of governmental financial statements also require information regarding the sustainability of a government’s policies and the potential implications if there is a fundamental change in the underlying assumptions regarding these policies. The FRSB still holds these views and notes that, in conjunction with the publication of this Consultation Paper, a Project Brief on Long-Term Fiscal Sustainability Reporting has been issued. The FRSB considers that this project has a key role in filling the current information gap.
15.	Contrôleur des Finances: Gouvernement du Québec	C	<p>We disagree with the recognition of any type of social benefit in the financial statements of governments.</p> <p>Our view is that governments have full discretion to present the information they choose regarding social benefits in documents other than their financial statements. Governments have specific means and many other opportunities to account for the fiscal longevity of their social programs. Examples include parliamentary commissions, reports of various task forces and budget documents. Governments must therefore have the option to choose how and when to provide this information and decide the nature of the information to be provided to satisfy the needs of users.</p>
16.	Comité des Normes de Comptabilité Publique: France	A	<p>Within the limits of the current conceptual framework of general purpose financial reporting, the current financial statements provide financial information that is not completely satisfactory.</p> <p>Indeed, either the triggering event is a combination of all eligibility criteria and the information is interesting but very limited, or it coincides with the birth of rights and financial information is richer and more comprehensive but not totally relevant, because in public finances the notion of inevitable future expenditures (which cannot all be included as such in the accounts) are hugely more important than the future</p>

	NAME	VIEW	COMMENT
			expenditures resulting from past commitments.
17.	Australian Accounting Standards Board	A	<p>The AASB considers that public sector general purpose financial reporting needs to address accountability and stewardship of governments including service delivery and the interrelated issues of fiscal sustainability and intergenerational equity.</p> <p>Given the current conceptual framework, including the current definitions of assets and liabilities adopted by the IPSASB, the AASB agrees that it is highly unlikely that the current reporting requirements would adequately meet users' needs. The most significant reason for this is that under the current regime future taxation receipts do not qualify for recognition as assets.</p> <p>The question is expressed as follows: "... cannot convey sufficient information by themselves...". This implies that, if it is accepted that current financial statements are not adequate to meets users' needs, the way in which this would be addressed is with additional reporting (most likely, long-term fiscal sustainability reporting). The AASB notes that another way of addressing this problem could be to expand the definition of a liability for public sector financial reporting. The AASB has not proposed such an approach in this submission.</p>
18.	Fédération des Experts Comptables Européens (FEE)	A	<p>The current implied framework for financial statements uses a definition of liability which does not encompass substantial government commitments, for example in respect of state funded pensions and other long-term social benefits. These commitments are in principle avoidable by government, but in practice will often be unavoidable unless there are problems with affordability. Information on these commitments is important information for citizens and policy makers. It could be attached to financial statements in management commentary or other reports, although there is no established methodology for presenting this information.</p>
19.	United Kingdom Accounting Standards Board	A	
20.	International Actuarial Association	C	
21.	New Zealand Treasury	A	<p>The paper illustrates the problems of recognising and measuring social benefits - when working from the current framework. Liabilities are currently defined as present obligations arising from past events which will result in outflows of resources(including constructive obligations) In our view this definition is problematic when applied to social benefit programs. Applying the current definition, it's likely that governments would conclude that a constructive obligation probably exists. This would result in social benefit expenses</p>

	NAME	VIEW	COMMENT
			and liabilities that are larger and recognised earlier, than the current ‘due and payable’ concept used in practice. The rationale would be that governments have through their past behaviour indicated that they have accepted social benefit responsibilities and citizens have valid expectations that the government will discharge their responsibilities.
22.	Government Accountability Office (USA)	A	The current financial statements convey information primarily about an entity’s past transactions but do not convey information that is prospective in nature— information that is crucial for assessing the financial condition of government programs. It is our view that the current financial statements should be supplemented with a statement of fiscal sustainability as a primary financial statement so that users can assess the extent to which governmental obligations for social benefits under existing legal frameworks can be met in the future— information that is needed to appropriately assess the government’s financial condition.
23.	Institut der Wirtschaftsprüfer (IDW): Germany	A	<p>We agree that, within the constraints of the current implied conceptual framework for general purpose financial reporting, current financial statements such as the statement of financial position and the statement of financial performance cannot convey sufficient information by themselves to users about the financial condition of governmental programs providing social benefits.</p> <p>In our opinion, a more substantial discussion concerning the principles of fiscal sustainability and of “inter-generational equity” as accounting principles should be held; for instance, on whether these principles have to be followed in the financial statements themselves and not merely in a document published separately. The financial statements address the needs of the users. Citizens as one user group are interested in the question of fiscal sustainability and “intergenerational equity”. The latter principle means the current generation is not allowed to burden future generations with its liabilities.</p>
24.	Financial Reporting Advisory Board (UK)	A	The Board agrees that within the constraints of the current implied conceptual framework for general purpose financial reporting, current financial statements cannot convey sufficient information by themselves to users about the financial condition of government programs providing social benefits. This is because whilst liabilities are measured by reference to settlement amounts, they are focused on past events.

SPECIFIC MATTER FOR COMMENT (2)

Do you think that a present obligation to individuals or households arises at any time for:

a) Collective goods and services; and/or

b) Individual goods and services?

If you think a present obligation does arise for either (a) or (b) or both (a) and (b) please indicate when and indicate your reasons..

SUMMARY OF OVERALL VIEW

PRESENT OBLIGATION FOR BOTH A) AND B)	A	3
PRESENT OBLIGATION FOR A) BUT NOT B)	B	0
PRESENT OBLIGATION FOR B) BUT NOT A)	C	10
NO PRESENT OBLIGATION FOR EITHER	D	3
NO CLEAR VIEW EXPRESSED	E	8
TOTAL		24

Percentage supporting view (A)– out of those expressing view	19%
Percentage supporting view (B) – out of those expressing view	0%
Percentage supporting view (C) – out of those expressing view	62%
Percentage supporting view (D) – out of those expressing view	19%

	NAME	VIEW	COMMENT
1.	Heads of Treasuries Accounting & Reporting Advisory Committee: Australia (HOTARAC)	C	<p>HoTARAC disagrees with the view that a present obligation exists for the future provision of collective goods and services. In Australia, the provision of collective goods and services is not subject to binding obligations. A government public announcement to provide particular collective goods and services is only an intention or promise, and thus, neither a legally binding decision, nor a constructive obligation to the Government.</p> <p>More specifically, governments typically commit to an obligation to achieve a specific outcome (e.g. affordable housing) and not to make specific payments or to provide specific services in a specific location.</p> <p>A Government still retains the discretion to avoid the sacrifice of future economic benefits. It can withdraw its promises if it decides that the situation requires it.</p> <p>(b) Individual goods and services</p> <p>HoTARAC agrees that a present obligation to individuals or households can arise for individual goods and services once eligibility criteria have been satisfied for the present reporting</p>

	NAME	VIEW	COMMENT
			<p>period. However, HoTARAC does not support recognition of a liability for the provision of individual goods and services in future periods on an accounting concept other than “due and payable”.</p> <p>Similar to a cash transfer program, HoTARAC asserts that a present obligation exists once eligibility criteria to receive the goods and services entitlement have been satisfied for the present reporting period, giving rise to a valid expectation by the citizen that the government will provide the benefit. However, the obligations are not binding indefinitely, and can be altered by the Government through amending the relevant legislation.</p> <p>The Committee agrees the provision of goods and services by third parties should be excluded from the scope.</p>
2.	Australasian Council of Auditors-General	A	<p>a) A present obligation arises for collective goods or services at a point in time at which there is a legal obligation to transfer goods and/or services to the eligible organisations that provide the inputs to the goods and/or services provided to the wider community. The present obligation arises because the government is then committed to a sacrifice of future economic benefits.</p> <p>b) A present obligation for individual goods or services occurs at the point in time when there is a legal obligation to transfer goods and/or services to the eligible individuals or households.</p>
3.	New Zealand Controller and Auditor-General	A	<p>In our view, based on IPSAS 19’s definition of a constructive obligation, a present obligation arises to individuals or households in many circumstances for both collective and individual goods and services. For many social benefits, we believe that the government will have indicated to individuals or households that it will accept certain responsibilities and as a result many individuals or households will have a valid expectation that the government will discharge those responsibilities.</p> <p>However, we do not believe it is in the interests of users of public sector financial statements to pursue this approach when developing proposals for the recognition of social benefit amounts in historical financial statements.</p> <p>In our view, there is a large degree of subjectivity associated with the measurement of the present obligation of the government to individuals or households for social benefits. There would therefore be significant challenges associated with the objective measurement of the present obligation for social benefits given that the government could amend or remove social benefit programmes that until that point they have historically funded at a certain level.</p>

	NAME	VIEW	COMMENT
4.	New South Wales Treasury: Australia	C	<p>(a) Collective goods and services</p> <p>NSW Treasury does not believe that a present obligation exists for the provision of collective goods and services. In Australia, the provision of collective goods and services does not create a binding obligation. A government public announcement to provide collective goods and services is an intention or commitment, and thus neither a legally binding decision, nor a constructive obligation to the government.</p> <p>More specifically, governments typically commit to achieve a specific outcome (e.g. affordable housing) and not to make specific payments or to provide specific services in a specific location. A government still retains the discretion to avoid the sacrifice of future economic benefits. It can withdraw its promises if it decides that the situation requires it.</p> <p>For similar reasons, NSW Treasury believes that the identification of a present obligation should be in the context of current legislation and that preparers should not prejudge possible changes in legislation.</p> <p>(b) Individual goods and services</p> <p>NSW Treasury believes that a present obligation can arise for individual goods and services once eligibility criteria have been satisfied for the present payment period, giving rise to a valid expectation by the citizen that the government will provide the benefit. However the obligation is not binding indefinitely, and can be altered by the government as early as the next payment period.</p>
5.	Treasury Board Secretariat: Canada	A	<p>Recognition for liabilities related to social benefits should only happen when a present obligation exists and that a present obligation generally does not exist until all eligibility criteria have been met. We also believe that no present obligation exist for collective or individual goods and services until the costs incurred to provide the goods or services (employee salaries, goods are received, contracts are performed, etc.) have been recognized as recorded under the current accrual framework. Finally, we also hold the view that it is important to distinguish present obligations and future obligations or commitments.</p>
6.	Japanese Institute of Certified Public Accountants	D	<p>We consider that a present obligation to individuals or households does not arise at any time for collective goods and services or for individual goods and services.</p>
7.	French Social Security Administration	E	<p>Notion of present obligation is relevant to the private sector and the insurance field. For social security more appropriate to speak of a general obligation of solidarity between people who have a moral contract due to the principle of the compulsory repartitioned system. These systems can provide the receipts needed to cover expenses related to the same period.</p>

	NAME	VIEW	COMMENT
8.	South African Accounting Standards Board	C	<p>(a) The Board does not believe that an obligation arises for collective goods and services as the provision of these goods and services are deemed to be part of the ongoing operations of government. Recognising an obligation for collective goods and services would be akin to recognising future operating expenses, and thus inappropriate.</p> <p>(b) The Board is of the view that an obligation for individual goods and services arises at the same point as for cash transfer programmes to individuals and households i.e. when all eligibility criteria have been satisfied. The Board is of the view that once all eligibility criteria have been satisfied, a valid expectation has been created that certain benefits will be provided, the settlement of which will require an outflow of resources. The manner of settlement, whether through the provision of cash or goods and services, is irrelevant.</p> <p>It is inappropriate to assume that an obligation does not exist because legislation may change in future. At the point that legislation changes and depending on the nature of changes, an entity may determine that an obligation no longer exists.</p>
9.	Zurich University of Applied Sciences	D	<p>a) No. In our opinion this is not a present obligation. It is an on-going-business activity and therefore does not meet the definition of a present obligation. It would also be in contradiction to the principle of going concern. We think they are rather commitments than present obligations.</p> <p>b) No, for the same reasons.</p>
10.	Local Government Accounting Standards Board: Netherlands	C	<p>The legal contracts or legal allowances/assignments regarding:</p> <p>b). Individual goods and services (non-exchange) can be that strictly binding or transferable that a present obligation arises. It is only a delayed delivery.</p> <p>Generally the future claims are restricted by such conditions that they are only individually collectable at a later date and cannot be claimed or transferred until then.</p> <p>For this reason there also cannot arise any present obligations regarding: a). Collective goods and services.</p>
11.	Chartered Institute of Public Finance & Accountancy: United Kingdom	C	<p>In CIPFA's view it is very difficult to provide an objective answer to whether a government which represents and is funded by its citizenry has a present obligation to particular citizens in respect of non-contractual commitments which do not arise as a result of direct exchanges. We also consider that the nature of any such present obligation would be qualitatively different to the present obligations which arise in contractual arrangements in the for-profit sector.</p> <p>(a) Collective goods and services. It is clear that citizens will often have a strong expectation that certain collective goods and services be provided and continue to be</p>

	NAME	VIEW	COMMENT
			<p>provided. Nevertheless, we do not consider that it is useful to view the associated general commitment to citizens as reflecting a liability. Of course, in the process of providing such goods and services, governments will routinely make specific contractual commitments to employees and other parties, and at this point standard accounting for exchange transactions will apply.</p> <p>(b) Individual goods and services. In our view it is useful to consider that a present obligation arises in respect of individual goods and services, primarily based on eligibility criteria being satisfied</p>
12.	Institute of Chartered Accountants of Scotland	E	
13.	Association of Chartered Certified Accountants	E	<p>ACCA agrees with the position set down in paragraph 24, i.e that “governments” (all public sector entities) do not make sufficiently specific pronouncements to give rise to constructive obligations. For example it is not felt that election manifestos provide evidence of present obligations. It may be the case, as noted, that the extent of any obligation depends on the specificity of the past policy announcements.</p> <p>The arguments for and against obligations to beneficiaries for individual goods and services are similar as for collective goods and services in the Consultation Paper.</p>
14.	New Zealand Institute of Chartered Accountants	C	<p>For individual goods and services the FRSB believes that “continuing existence” of an individual is part of the applicable eligibility criteria. For example, suppose an individual requires an operation. Where this individual that has met all other eligibility criteria for an operation at the balance sheet date, but is still waiting for that operation to be performed, no amount should be recognised as a provision. The FRSB considers that the individual’s continued existence is part of the satisfaction of applicable eligibility criteria, i.e. the individual has to be still alive and still have the relevant medical condition on the day of the operation to be truly eligible.</p> <p>Collective goods and services can be distinguished from individual goods and services in that they are provided to benefit the community as a whole, or to a portion of a community rather than an individual. It seems unlikely that collective goods and services will have eligibility criteria. Unless this is the situation, the FRSB does not believe that a present obligation arises for collective goods and services</p> <p>The IASB’s tentative conclusion that a liability does not presently exist if a stand ready obligation is not presently enforceable may also help the IPSASB resolve this issue.</p>

	NAME	VIEW	COMMENT
15.	Contrôleur des Finances: Gouvernement du Québec	D	<p>Our view is that currently there is no obligation on governments regarding not only individual and collective goods and services, but also regarding cash transfers.</p> <p>Social benefits do not satisfy the definition of a liability under the conceptual framework because in no case do social benefits represent commitments from which governments cannot release themselves.</p>
16.	Comité des Normes de Comptabilité Publique: France	E	The precise answer to this question anticipates a debate on the conceptual framework that has not yet taken place.
17.	Australian Accounting Standards Board	E	The AASB argues that such a question can only be considered in the context of the development of the conceptual framework for public sector financial reporting as a whole.
18.	Fédération des Experts Comptables Européens (FEE)	C	<p>In our view it is very difficult to provide an objective answer for all jurisdictions to whether a government which represents and is funded by its citizenry has a present obligation to particular citizens in respect of non-contractual commitments which do not arise as a result of direct exchanges. We also consider that the nature of any such present obligation would be qualitatively different to the present obligations which arise in contractual arrangements in the for-profit sector.</p> <p>We therefore consider that the key question is whether information on an imputed obligation would be useful to readers of the financial statements, would aid accountability, and would be understandable by reference to other types of financial statements.</p> <p>(a) Collective goods and services. It is clear that citizens will often have a strong expectation that certain collective goods and services be provided and continue to be provided. Nevertheless, we do not consider that it is useful to view this as a present obligation giving rise to a liability which is recognised before it is discharged or settled.</p> <p>(b) Individual goods and services. In our view it is useful to consider that a present obligation arises in respect of individual goods and services, primarily based on eligibility criteria being satisfied.</p>
19.	United Kingdom Accounting Standards Board	C	We consider that in some circumstances present obligations arise to individuals for goods and services but that a liability should only be recognised where there is a valid expectation that leaves the entity with little, if any, discretion to avoid the transfer of economic benefits. It would seem that these circumstances are likely to be rare and that the amounts are unlikely to be significant, although further research will be necessary to determine whether this is the case.

	NAME	VIEW	COMMENT
20.	International Actuarial Association	E	
21.	New Zealand Treasury	E	See also response to Q.1 The Treasury does not believe that a government has an enforceable obligation beyond the amount that is currently due and payable. Therefore, in the interim, the NZ Government will continue to use the accrual basis of accounting to recognise only amounts due and payable under social benefit programs.
22.	Government Accountability Office (USA)	E	It is our view that only amounts for individual and collective goods and services that have been provided to beneficiaries during the reporting period, but have not been paid (including those incurred but not reported) should be recognized in the statement of financial position as liabilities. More specifically, we believe that liabilities for individual and collective goods and services and other non- exchange transactions. should be recognized only for legal obligations, as defined On the other hand, we do not believe that it is appropriate to recognize <u>future</u> social benefits for collective and individual goods and services as liabilities or present obligations in the current reporting period.
23.	Institut der Wirtschaftsprufer (IDW): Germany	C	a) Collective goods and services We support the view that governments do not have a present obligation in respect of collective goods and services: Individuals or households do not have a legally enforceable claim against a government to provide collective goods and services as defined in the consultation paper. In our view, it is not convincing to argue that a constructive obligation justifies a present obligation in this connection. Furthermore, we believe that providing collective goods and services can be regarded as an ongoing activity such as national defense, public order and safety, etc. In accordance with IPSAS 19.26, no provision is recognized for costs that will need to be incurred to continue an entity's ongoing activities in the future. b) Individual goods and services The situation is different, where the provision of individual goods and services is concerned. The provision of individual goods and services is more often based on laws and regulations than it is the case with provision of collective goods. An individual or a household might have a legally enforceable claim against the government. Furthermore, access to individual goods and services depends on whether eligibility criteria have been fulfilled or not. The fulfillment of these criteria increases expectations that an individual or a household is entitled to receive goods or services. Furthermore, eligibility criteria allow to identify the beneficiaries. In our view, the extent of present obligations should depend on whether a particular stipulation is deemed to operate as an eligibility

	NAME	VIEW	COMMENT
			<p>criterion. This approach provides more accurate information about potential future obligations and fulfills the requirement of “inter-generational equity”.</p> <p>The European Union has defined the term “services of general interest”. It might be interesting to relate this concept of the EU to the approach followed by the IPSASB.</p>
24.	Financial Reporting Advisory Board (UK)	C	<p>2(a). The Board does not consider that a present obligation to individuals or households arises at any time for collective goods and services as a general policy statement that an entity intends to provide goods and services to potential beneficiaries in accordance with its objectives, will not necessarily give rise to a liability. The entity could withdraw or amend the terms on which the goods and services will be provided, and the potential beneficiaries do not have the ability to insist on receipt.</p> <p>2(b). The Board views that it is less clear-cut whether a present obligation to individuals or households arises at any time for the provision of individual goods or services. In general terms, similar to the provision of collective goods and services, there is no present obligation for individual goods and services in respect of a general policy commitment made by an entity to provide them. However, that does not rule out the possibility of a legal or constructive obligation arising as a result of an individual citizen’s actions or expectations based on past events</p>

SPECIFIC MATTER FOR COMMENT (3)

Do you think that a present obligation to individuals or households in respect of cash transfers arises when all eligibility criteria have been satisfied for:

a) Non-contributory programs; and/or

b) Contributory programs?

If you think that a present obligation arises at an earlier point for (a) or (b) or both (a) and (b), please indicate that point and give your reasons

SUMMARY OF OVERALL VIEW

PRESENT OBLIGATION FOR BOTH A) AND B) AT EARLIEST ONLY WHEN ELIGIBILITY CRITERIA SATISFIED	A	12
PRESENT OBLIGATION FOR A) ONLY WHEN ALL ELIGIBILITY CRITERIA SATISFIED BUT AT EARLIER POINT FOR B)	B	3
PRESENT OBLIGATION FOR BOTH A) & B PRIOR TO SATISFACTION OF ALL ELIGIBILITY CRITERIA	C	1
NO PRESENT OBLIGATION FOR EITHER A) or B)	D	2
NO CLEAR VIEW EXPRESSED	E	6
TOTAL		24

Percentage supporting view (A) – out of those expressing view	66%
Percentage supporting view (B) –out of those expressing view	17%
Percentage supporting view (C) –out of those expressing view	6%
Percentage supporting view (D)-out of those expressing view	11%

	NAME	VIEW	COMMENT
1.	Heads of Treasuries Accounting & Reporting Advisory Committee (HOTARAC)	B	<p>(a) Non-contributory programs</p> <p>HoTARAC contends that a present obligation exists, but only on a “due and payable” basis and not for the provision of future benefits. Satisfaction of eligibility criteria creates an expectation from citizens that the Government will provide them with the social benefit. Most entitlements are usually only based on current events, not past events.</p> <p>(b) Contributory programs</p> <p>HoTARAC members do not have sufficient experience with contributory programs to answer this in an informed way. However, it is conceivable that such programs may provide citizens with greater certainty as to entitlements. Thus, an obligation may arise that could constitute a liability.</p> <p>In general, social benefits in Australia are provided through non-contributory programs.</p>

	NAME	VIEW	COMMENT
2.	Australasian Council of Auditors-General	A	<p>a) A present obligation for cash transfers to individuals or households participating in non-contributory programs does not necessarily occur at the time that eligibility criterion are met. The present obligation will only occur when the government has a legal obligation to transfer the cash to the eligible individual or household.</p> <p>b) The point of recognition of a present obligation should be the same for contributory as for non-contributory programs.</p>
3.	New Zealand Controller and Auditor-General	C	<p>Given our view that many social benefits will meet the current definition of a constructive obligation, we believe that a present obligation to individuals or households will arise for cash transfers associated with both non-contributory and contributory programmes. We do not see that a present obligation will arise at different times for non-contributory programmes compared to contributory programmes. Any difference between programmes would be dealt with in measuring the respective liabilities. For example, individuals and households may have a stronger expectation that the government will discharge its responsibilities under contributory programmes.</p>
4.	New South Wales Treasury	A	<p>(a) Non-contributory programs</p> <p>NSW Treasury supports the ‘due and payable approach’ for non-contributory programs; i.e. an obligation arises in relation to specific social benefit payments only when entitlement conditions are satisfied for payment during a particular payment period.</p> <p>A present obligation does not arise regarding social benefit payments in future reporting periods. This may be regarded as a narrow interpretation of the ‘due and payable approach’, as NSW Treasury does not believe that meeting eligibility criteria at one point in time creates a present obligation that is binding in relation to all future periods. Rather, we believe the liability is limited to the next particular payment period. This is because the Government has discretion beyond that period to avoid the sacrifice of future economic benefits by modifying the social benefit arrangements.</p> <p>(b) Contributory programs</p> <p>Australia does not have social insurance and we are not aware of any other social benefits that currently would give rise to a liability at an earlier point.</p> <p>NSW Treasury believes that the identification of a present obligation should be in the context of the current legislation and that preparers should not prejudge possible changes in legislation.</p>

	NAME	VIEW	COMMENT
5.	Treasury Board Secretariat: Canada	E	Does not consider that the distinction between non-contributory and contributory is most appropriate and that other factors such as the time horizon of the program should be taken into account.
6.	Japanese Institute of Certified Public Accountants	A	<p>Whether a program is contributory or non-contributory does not affect the recognition of liability. An expectation that an individual or household will receive benefits is stronger, and the possibility that a constructive obligation arises is greater, for contributory programs than for non-contributory programs, but whether a program is contributory should not be a decisive factor.</p> <p>We consider that the present obligation to individuals or households in respect of cash transfers arises when all eligibility criteria have been satisfied, but we should treat programs like a social security pension program paying benefits to individuals who are of old age differently. The reason is as follows.</p> <p>Firstly, individuals will certainly satisfy the criteria that they reach a specific age, unless they die, which is different from any other criteria.</p> <p>Secondly, it is unrealistic for the government to change the program, because of the constant and strong expectation of receiving an old-age pension, which differentiates this program from all others</p>
7.	French Social Security Administration	E	It is impossible to classify the French social security in either category as contributory or non-contributory program. The French social security is inseparably in the two categories.
8.	South African Accounting Standards Board	A	<p>(a) The Board agrees with the approach that an obligation arises for non-contributory cash transfer programmes once all eligibility criteria have been satisfied, rather than when all threshold eligibility have been satisfied (as described in our response to question 1 of ED 34). See our response to question 1 of Part A.</p> <p>(b) The Board is of the view that a present obligation for contributory programmes arises when all eligibility criteria have been satisfied, to the extent that the contributions paid are not refundable prior to the satisfaction of those eligibility or do not form part of a 'defined contribution fund' i.e. the contributions paid by individuals or households are not exchange transactions.</p> <p>The Board is of the view that contributions paid by individuals or households to gain access to future social benefits do not give rise to an obligation prior to the individual or households satisfying all the relevant eligibility criteria. In these instances, the contributions required to be made are merely one of the eligibility criteria to be satisfied.</p>

	NAME	VIEW	COMMENT
			Given the various types of contributory schemes that may exist in practice, each scheme should be analysed and accounted for on the merits of that scheme, using the principles of the implied conceptual framework.
9.	Zurich University of Applied Sciences	D	We are of the view that a concept of threshold eligibility criteria, defined in accordance with the relevant legislation, is more feasible than the concept of “all” eligibility. However, as stated in paragraph 2, we are of the view that there is no present obligation for future government activities, in general.
10.	Local Government Accounting Standards Board: Netherlands	A	In this case, too, the legal contracts or legal allowances/assignments, but now regarding the cash transfers, can be that strictly binding or transferable that a present obligation arises. It is necessary that a (periodical) record of vested entitlements be provided. The beneficiaries must nevertheless be aware that by change of law or by lack of financial budget at the institution responsible, the entitlements might not be cashed. Mostly the need for contributions does not affect the significance of the legal contracts or legal allowance/assignments, because the cashed contributions are used for the payment of benefits regarding the same period and are not set apart for future individual benefits. So for financing cash benefits a pay-as-you-go scheme is mostly used in stead of a capital funding scheme. The payment of the future cash benefits therefore legally depends on the contributions of the future group of beneficiaries and/or taxpayers.
11.	Chartered Institute of Public Finance & Accountancy: United Kingdom	A	In our view it is useful to consider that a present obligation arises when all eligibility criteria have been satisfied. For contributory programs, the primary question seems to be whether the contributory aspect has the effect of making the programme more like a contractual or quasi-contractual arrangement. If it does, then earlier or gradual recognition is probably appropriate, in line with current private sector treatment. Where the arrangement is more clearly a non-exchange transaction, then the issues appear to be the same as for non-contributory programs: the principal effect of the contribution is to increase the public expectation and appearance of ‘unavoidability’.
12.	Institute of Chartered Accountants of Scotland	E	
13.	Association of Chartered Certified Accountants	A	ACCA agrees with paragraph 47 and the arguments of those who do not consider that an obligating event occurs at an earlier point for cash transfers financed by contributions as opposed for those of non-contributory programs. It is noted again that governments have the ability to amend or repeal legislation. Also that caveats and qualifications usually hedge

	NAME	VIEW	COMMENT
			the obligation such as to make its validity doubtful.
14.	New Zealand Institute of Chartered Accountants	A	<p>The FRSB considers that a liability should be recognised for social benefit obligations when all eligibility criteria have been met. For example, for a pension, where a person was last paid 8 days before the balance sheet date, at the balance sheet date, assuming the person is still alive and still meets all the eligibility criteria, that a liability for 8 days of pension is recognised. This means that the recognition point for a liability is the same irrespective of whether the social benefit programme is contributory or non-contributory (except as noted in paragraph 15 below).</p> <p>The FRSB believes that an additional issue needs to be considered where a social benefit programme is contributory. An assessment needs to be made to determine whether a legal or constructive obligation arises for the return of the contributions made by a beneficiary or potential beneficiary under certain conditions, e.g. where an individual withdraws from the programme before the eligibility conditions are satisfied. A legal or constructive obligation may also arise in other circumstances, e.g. where an individual contributes a certain amount to a programme and then is guaranteed an amount in return.</p>
15.	Contrôleur des Finances: Gouvernement du Québec	D	<p>We disagree with the recognition of any type of social benefit in the financial statements of governments and, consequently, governments have no present obligation regarding either contributory or non-contributory programs.</p> <p>Social benefits do not satisfy the definition of a liability under the conceptual framework because in no case do they represent commitments from which governments cannot release themselves and, moreover, on the date of the financial statements these social benefits do not arise from any event or operation.</p>
16.	Comité des Normes de Comptabilité Publique: France	E	
17.	Australian Accounting Standards Board	E	The AASB argues that such a question can only be considered in the context of the development of the conceptual framework for public sector financial reporting as a whole.
18.	Fédération des Experts Comptables Européens (FEE)	A	<p>In our view it is useful to consider that a present obligation arises when all eligibility criteria have been satisfied.</p> <p>For contributory programs, the primary question seems to be whether the contributory aspect has the effect of making the programme more like a contractual or quasi-contractual arrangement. If it does, then earlier or gradual recognition is probably appropriate, in line with current private sector treatment. Where the arrangement is more clearly a non-exchange transaction, then the issues appear to be the same as</p>

	NAME	VIEW	COMMENT
			for non-contributory programs: the principal effect of the contribution is to increase the public expectation and appearance of ‘unavoidability’.
19.	United Kingdom Accounting Standards Board	B	<p>In our comments on ED 34, we expressed concern about the distinction between cash transfers to individuals and households and individual goods and services. We would therefore argue that key issue 3 should also be considered in the context of individual goods and services.</p> <p>We think that more research is needed on when an obligating event occurs. In taking forward this work, we would encourage IPSASB to consider further the extent to which a liability may arise before all eligibility criteria have been met, for example for a person that has worked for a number of years and therefore has a valid expectation that they will receive a state pension once they reach retirement age.</p> <p>We agree there is a need to consider contributory programs separately, particularly in terms of the individuals who are making contributions having a greater expectation that they will receive the expected benefits, for example when they retire. We accept there might be a specific set of circumstances that might create an earlier obligating event.</p> <p>The state pension highlights the difficult issues involved, particularly where an individual is making the necessary contributions in terms of taxation and could therefore be said to have already “earned” at least a part of the eventual pension entitlement. We therefore acknowledge the argument that individuals can earn the right to benefits such as the old age pension before reaching retirement age — and that this could be said to represent an obligation on the part of government that should be recognised in the financial statements. We also acknowledge in the Interpretation that a constructive obligation may be created by communicating information to individuals and the Consultation Paper does include in paragraph 44 the example of an individual’s expectation of receiving a state pension being strengthened by receiving details of estimated future benefits.</p>
20.	International Actuarial Association	E	
21.	New Zealand Treasury	A	<p>The Treasury notes with interest the June 2008 IASB/FASB joint meeting agenda where the liability definition (as part of the IASB/FASB Conceptual Framework Project) was considered. Of particular interest to us is:</p> <ul style="list-style-type: none"> • The Board’s working definition of an entity’s liabilities as present economic obligations that are enforceable against the entity, and • The concept of stand ready obligations.

	NAME	VIEW	COMMENT
			<p>Further exploration of these two concepts may be a useful starting point. Probable future social benefits obligations would unlikely to be ‘presently enforceable’ at a reporting date. This concept, in the Treasury’s view, has some merit in respect to recognising social benefit expenses and obligations.</p> <p>White the Treasury does not fully understand the notion of a ‘stand ready obligation’, our first impression is that this concept also has some appeal as a disclosure requirement. For example the current policy or statute to provide unemployment benefit to eligible citizens may be a valid obligation of a government now or in the future i.e. the government is ‘on standby’ to deliver benefits. However there are associated conditional obligations that must be triggered before any unemployment benefit is actually owed and paid to eligible citizens.</p>
22.	Government Accountability Office (USA)	A	<p>For cash transfer benefits for non-contributory and contributory programs, we hold the view that present obligations can only occur when each and every individual requirement of the eligibility criteria has been satisfied and the government has an obligation to pay cash transfer benefits. If the beneficiary fails to meet any of the eligibility criteria, the beneficiary would not be entitled to receive a benefit. In the United States, for example, one of the eligibility criteria for receiving monthly social security payments is the continued existence of the recipient. If the deceased was receiving Social Security benefits, the decedent’s estate must return the benefits received for the month of death or any later months. For example, if the person dies in July, any benefit paid in August or later must be returned. Certain government programs may provide benefits upon the death of a covered participant (e.g. burial benefits, survivor benefits.) In these instances, the death of a covered participant is an eligibility requirement for the beneficiary to receive a cash transfer.</p> <p>Social benefits differ from employer provided benefit plans which are exchange transactions in that they do not represent an exchange of current service for deferred compensation and the benefits do not vest.</p> <p>The inherent uncertainty surrounding agreement and settlement for amounts projected for social insurance benefits, outside of what is currently “due and payable,” does not lend itself to recognizing a liability and expense for future benefits.</p>
23.	Institut der Wirtschaftsprüfer (IDW): Germany	B	<p>First of all, we would like to point out that the question of non-contributory and contributory programs does not only relate to cash transfer programs but also to programs providing individual goods and services. For example, in Germany, employees have to pay a “health insurance contribution”. In case of sickness, health service provided by doctors or hospitals is free of charge. The costs of the health services are</p>

	NAME	VIEW	COMMENT
			<p>directly paid by the health insurance to the health service provider. We assume that the German health care system is therefore a contributory program of individual goods and services.</p> <p>a) Non-contributory programs</p> <p>From our point of view, an obligating event for cash transfers for non-contributory events does not occur before all eligibility criteria have been satisfied. The determination of an obligating event creating a constructive obligation might be difficult to determine. The discussion in para. 37 et seqq. about the key participatory event shows the complexity of this approach. Moreover, the key participatory events might vary between different social programs and might differ from country to country. However, the recognition of cash transfers for non-contributory programs based on key participatory events will lead to a considerable amount of obligations for those kinds of benefits. As long as the right to levy tax is not allowed to be recognised as an asset the divergence of financing and obligation might disturb the balance of the statement of financial position and the statement of financial performance.</p> <p>b) Contributory programs</p> <p>In our view, the payment of a contribution does not only create “a valid expectation (or reinforces an existing one)”, sometimes the individual or the household will even have a legally enforceable claim against the government. It also might be argued, that a contributory program can be seen as a quasi-exchange transaction. Therefore, the payments of contributions should create a present obligation also with respect to constructive obligations. The reference to the satisfaction of all eligibility criteria is not appropriate. In case of contributory programs, there is a certain expectation by the beneficiaries that the benefits will be provided by government.</p>
24.	Financial Reporting Advisory Board (UK)	A	The Board views that an obligating event does not occur for non-contributory or contributory programs before the relevant threshold eligibility criteria are met, e.g. there is no obligating event for the payment of an old age pension until all eligibility criteria have been met, including the survival of the beneficiary to the required age for the pension to be paid

SPECIFIC MATTER FOR COMMENT (4)

*Where a cash transfer program requires individuals or households to revalidate their entitlement to benefits, do you think that revalidation is an attribute that should be taken into account in the measurement of the liability or a recognition criterion?
Please state your reasons.*

SUMMARY OF OVERALL VIEW

MEASUREMENT ATTRIBUTE	A	5
RECOGNITION CRITERION	B	4
NO CLEAR VIEW EXPRESSED	C	15
TOTAL		24

Percentage supporting view (A) – out of those expressing view 56%

Percentage supporting view (B – out of those expressing view 44%

	NAME	VIEW	COMMENT
1.	Heads of Treasuries Accounting & Reporting Advisory Committee: Australia (HoTARAC)	A	<p>HoTARAC considers revalidation to be a measurement attribute. Eligibility requirements or contributions are the recognition criteria.</p> <p>To consider revalidation as a recognition criterion would result in two programs with identical and nearly identical eligibility requirements to have a different liability, because of separate revalidation points. This would provide an opportunity for manipulating the liability amount based on the timing and frequency of the program eligibility revalidation. It also would impair comparability between programs. The timing of the revalidation could be set shortly after the reporting date, thus artificially limiting the entity's liability and expense.</p> <p>To determine revalidation as a measurement attribute would better reflect the obligation. Under this treatment, the expected cash flows included in the measurement of a liability for social benefits would take into account the probability that existing beneficiaries will satisfy revalidation criteria at future revalidation points.</p>
2.	Australasian Council of Auditors-General	C	<p>Revalidation does not in itself bring about a present obligation. It will be a requirement that constituents revalidate their eligibility criterion as part of the process of qualifying for the payment of cash transfer payments in the future. The variable nature of differing programs, along with the fact that many programs rely on continuously meeting eligibility criteria would not in itself be an indicator of present obligation. A present obligation would arise at the time when the beneficiary is entitled to the cash transfer.</p>

	NAME	VIEW	COMMENT
3.	New Zealand Controller and Auditor-General	A	Consistent with our view expressed above, we believe revalidation is an attribute that would be taken into account in the measurement of a liability. However, as we have already noted, in our view, there would be significant challenges associated with objectively measuring the present obligation for social benefits and recognition of such amounts would grossly distort the financial statements. Therefore, we do not support pursuit of an approach to the accounting of social benefits that aligns with the existing liabilities” and constructive obligation” definitions.
4.	New South Wales Treasury	B	<p>NSW Treasury believes that revalidation should be taken into account in determining whether or not the definition and recognition criterion are satisfied, rather than the measurement of the liability. If revalidation were incorporated in the measurement of the liability, it would result in the recognition of future liabilities.</p> <p>Revalidation is more relevant to establishing whether there is a present obligation and whether an outflow of resources is probable; i.e. in the liability definition and recognition criterion, respectively.</p> <p>However, this does not mean that a liability should be recognised for the period up to the next revalidation. Where there is a long period between revalidations (or validation only occurs once), circumstances could change such that the government has a realistic alternative to avoid making a future sacrifice of economic benefits. Therefore, NSW Treasury believes that an obligation only arises for non exchange transfers when entitlement conditions are satisfied for payment during a particular payment period.</p> <p>Nevertheless, in many circumstances in Australia, the onus is on constituents to inform government that they are no longer eligible for benefits. This could be interpreted as requiring validation every payment period</p>
5.	Treasury Board Secretariat: Canada	C	
6.	Japanese Institute of Certified Public Accountants	C	<p>It depends on the content of the revalidation whether it is an attribute that should be taken into account in the measurement of the liability or a recognition criterion.</p> <p>For example, if the government revalidates eligibility to confirm that the individual is still alive, from the standpoint that the individual is required to be alive, the revalidation is not a recognition criterion, but an attribute that should be taken into account in the measurement of the liability.</p> <p>On the contrary, if the government revalidates the eligibility to confirm that the individual’s revenue is satisfactory as an eligibility criterion, the revalidation is a recognition criterion</p>

	NAME	VIEW	COMMENT
7.	French Social Security Administration	C	This point is not relevant for French social security as revalidation of eligibility criteria is hardly developed.
8.	South African Accounting Standards Board	A	<p>The Board is of the view that revalidating entitlement to benefits is a measurement attribute and not a recognition criterion. A similar approach is adopted for measuring obligations arising from employee benefits.</p> <p>The Board is of the view that an individual or household only need satisfy the initial criteria for entitlement to benefits to establish that an ongoing obligation to provide benefits. Whether those benefits are provided, and the value of the benefits provided are measurement issues.</p>
9.	Zurich University of Applied Sciences	A	Yes, we do think that revalidation is an attribute that should be taken into account in the measurement of the liability, if there is any liability. In general we are of the view that legislation needs to be taken into account, despite the general reluctance due to the principle of substance over form. In the field of social benefits the legislation is generally the only valid source of description of a specific program.
10.	Local Government Accounting Standards Board: Netherlands	C	The revalidation is apparently relevant for the continuation of the present cash transfers. If the (timely) revalidation is lacking the cash transfer has to be discontinued and mostly there will even be a financial sanction (fine) on a failure to deliver in due course.
11.	Chartered Institute of Public Finance & Accountancy: United Kingdom	C	Revalidation is often required as part of fraud prevention measures. Depending on the nature of the validation evidence and the purpose of the validation process, government authorities may allow validation to be carried out retrospectively, or may only allow validation to apply for future periods. Such specific considerations affect whether revalidation should be considered part of the entitlement criterion which triggers recognition, or an attribute which affects liability measurement, or perhaps a mixture of both.
12.	Institute of Chartered Accountants of Scotland	C	
13.	Association of Chartered Certified Accountants	C	
14.	New Zealand Institute of Chartered Accountants	B	Reasoning in paragraph 52 is persuasive and that revalidation is a recognition attribute.

	NAME	VIEW	COMMENT
15.	Contrôleur des Finances: Gouvernement du Québec	C	<p>We disagree with the initial recognition of social benefits. Consequently, we also disagree with the subsequent measurement of these same benefits because it would be difficult to estimate their amount given the large number of imponderables.</p> <p>Public expectations, the priorities of the political party in power, political, economic and social affairs as well as the international situation are part of a government's environment that change over time. Accordingly, because of these uncertainty factors specific to the public sector, it would be difficult to determine in advance which social programs will be in force or the changes that may be made to them in the future. All these variables would inevitably lead to substantial variability in the measurement of the liability recognized on account of social benefits, thus making this measurement very subjective</p>
16.	Comité des Normes de Comptabilité Publique: France	C	
17.	Australian Accounting Standards Board	C	The AASB argues that such a question can only be considered in the context of the development of the conceptual framework for public sector financial reporting as a whole.
18.	Fédération des Experts Comptables Européens (FEE)	C	Although revalidation may be required as part of fraud prevention measures, we consider that the primary concern of government is that the entitlement condition is continuing. Depending on the timing and purpose of such a control as operated by the government authorities, it could affect recognition, measurement pr a mixture of the two.
19.	United Kingdom Accounting Standards Board	C	<p>This can depend on the particular social benefit that is being considered and the eligibility criteria that are being revalidated. In principle, revalidation of eligibility criteria should be an important recognition criteria, particularly for social benefits such as unemployment benefit, which an individual might only expect to receive for a short period of time before returning to the workplace. For such short-term benefits, we agree with the view that the government's obligation should not exceed the maximum amount that an individual is entitled to receive from one revalidation point to another</p> <p>A different view may however be reached for social benefits that are more long-term in nature, for example the state old age pension and incapacity benefit. The main eligibility criteria for these benefits are unlikely to change and, whilst annual declarations of existence or incapacity may be an important feature of administering these programs, the extent of the government's obligation should not be limited to the next revalidation point. For these longer-term benefits, the government's obligation should be based on other information,</p>

	NAME	VIEW	COMMENT
			such as actuarial assumptions regards life expectancy.
20.	International Actuarial Association	C	
21.	New Zealand Treasury	C	
22.	Government Accountability Office (USA)	B	We hold the view that a liability should be recognized when every individual requirement of the eligibility criteria has been satisfied and when the government has an obligation to pay cash transfer benefits. Because there may be several types of revalidation requirements for the numerous government programs that provide cash transfers as social benefits, the recognition and measurement would depend on the specific nature of the revalidation requirement. In our experience, revalidation in cash transfer programs is considered an internal control process or mechanism that assists a government in determining whether or not beneficiaries have satisfied all eligibility criteria through the entire period leading up to the revalidation date and were entitled to receive the benefits. In this scenario, the periodic revalidation is one of several eligibility requirements that must be met by the beneficiary to be entitled to continue to receive cash benefits and, consequently, a present obligation for the provision of benefits in future periods does not arise until the recipients satisfy, in each future period, all eligibility criteria.
23.	Institut der Wirtschaftsprüfer (IDW): Germany	A	According to IPSAS Exposure Draft 34, “Social Benefits: Disclosure of Cash Transfers to Individuals or Households” the revalidation of an eligibility criterion is taken into account in the measurement of the disclosed amount. In our opinion, the same approach should be taken here. Firstly, individuals who have already proved their eligibility and who have assumed to be still eligible at the revalidation date have a higher (valid) expectation to receive social benefits in the future than individuals who become eligible for the first time. Secondly, the reporting entity should have empirical data (e.g. based on past experience) on the number of individuals which continue to be eligible after a revalidation.
24.	Financial Reporting Advisory Board (UK)	B	The Board considers that the revalidation of entitlement to benefits to be a recognition criterion, as a present obligation cannot exceed the maximum amount that an individual is entitled to receive from one revalidation point to another. The revalidation is further viewed as an implicit eligibility criterion in that the continued survival of a beneficiary is necessary for the continued entitlement of cash transfers, e.g. the continuation of a pension may be subject to the satisfactory completion of a life certificate to ensure cash transfers continue until the next revalidation point.

SPECIFIC MATTER FOR COMMENT (5)

Do you think that in developing requirements for recognition and measurement of social benefits the IPSASB should further explore the executory contract accounting model briefly outlined in Key Issue 6. Please state your reasons.

SUMMARY OF OVERALL VIEW

FURTHER EXPLORE	A	11
DO NOT FURTHER EXPLORE	B	9
NO CLEAR VIEW EXPRESSED	C	4
TOTAL		24

Percentage supporting view (A) – out of those expressing view 55%
 Percentage supporting view (B) – out of those expressing view 45%

	NAME	VIEW	COMMENT
1.	Heads of Treasuries Accounting & Reporting Advisory Committee (HOTARAC)	A	<p>Yes, subject to the following. HoTARAC agrees that social benefits are similar in concept to executory contracts, in the sense that the liability for future social benefits is offset by the Government's right to tax. However, an important distinction is that executory contracts are normally reciprocal or exchange transactions while social benefits are not. Obligations under such contracts are generally not recognised as liabilities in the financial statements, as generally a rights and obligations approach is not adopted in the other Accounting Standards (refer IASB Framework, para 91).</p> <p>It would be useful if IPSASB could provide further information on how the executory model would be applied to social benefits. The discussion provided seems to indicate that the government obligation would be offset by the duty of individuals to contribute taxes, i.e. as individuals will not yet have contributed future taxes, there will not be a need to recognise a liability for most social benefits of the future in present financial statements. This approach does not consider situations where individuals will have no liability to contribute future taxes; situations where non-residents living in the country may pay taxes but not be entitled to the benefits of cash transfer programs; or non-residents living abroad who may not pay taxes but are entitled to the benefits of cash transfer programs (all situations exist in Australia).</p>
2.	Australasian Council of Auditors-General	B	<p>While we see the benefits of an “inter-period equity” approach, we do not see it as a substitute for the “assets and liabilities” approach that the Australian public sector adopts in accordance with IFRS.</p>

3.	New Zealand Controller and Auditor-General	A	<p>We support the IPSASB further exploring options for the accounting of social benefits that result in sensible information that meets the needs of users of financial statements. In that regard, analogies that can be drawn from executory contract accounting should be considered.</p> <p>We believe that the IPSASB needs to set aside the existing ‘liabilities’ and “constructive obligation” definitions and consider the best accounting of social benefits that will meet the objectives of public sector financial statements.</p>
4.	New South Wales Treasury	A	<p>Yes. NSW Treasury agrees that social benefits are similar in concept to executory contracts, in the sense that the liability for future social benefits is offset by the government’s right to tax. However, an important distinction is that executory contracts are normally reciprocal or exchange transactions while social benefits are not. Obligations under such contracts are generally not recognised as liabilities in the financial statements, as generally a rights and obligations approach is not adopted in Accounting Standards (refer IASB Framework, para 91). NSW Treasury strongly believes that wherever the right to tax cannot be recognised, the obligation to provide future social benefits should also not be recognised.</p> <p>The Consultation Paper indicates that the executory contract accounting model is consistent with the US Governmental Accounting Standards Board “inter-period equity” concept. NSW Treasury agrees that “inter-period equity” is a valuable concept for government accountability of social benefits. But this should be considered as part of the long-term fiscal sustainability reporting project (outside the audited financial report) rather than the recognition and measurement of social benefits.</p>
5.	Treasury Board Secretariat: Canada	C	
6.	Japanese Institute of Certified Public Accountants	B	<p>We consider that in developing requirements for recognition and measurement of social benefits, the IPSASB should not further explore the executory contract accounting model. The reason is as follows:</p> <p>Under this model, liabilities would not arise until legal entitlements have been established. If constructive obligations arise in areas such as accounting for post-employment benefit obligations, but not for social benefits, the balance of accounting treatment between post-employment benefit obligations and social benefits will be too poor, and the utility of financial statements will be damaged.</p>
7.	French Social Security Administration	B	

8.	South African Accounting Standards Board	B	<p>The Board does not believe that the executory contract accounting model is appropriate. In South Africa for example, the state has been taken to court on numerous occasions in relation to the execution of government functions, including the provision of certain social benefits. The state has in certain instances, used the defence that government services only need be provided to the extent that appropriate funding is obtained. The courts have determined that there is a realistic expectation that funding will be raised through appropriate means (taxes or raising debt), and thus government services should be provided.</p> <p>These rulings contradict the notion of the executory contract accounting model outlined in issue 6 which requires that taxes be received by government before government provides services.</p>
9.	Zurich University of Applied Sciences	A	<p>We are of the view that the IPSASB should explore the executory contract accounting model for any programs which are similar to insurance contracts. The IPSASB should take the respective IFRS guidance into account, if a program operates in a similar way to insurances.</p>
10.	Local Government Accounting Standards Board: Netherlands	A	<p>Yes, because there is a significant difference between on the one hand constructive obligations entered into by European enterprises and on the other hand European political commitments limited by the legal budget restriction of inter-period equity resulting in a formal annual budget constraint.</p>
11.	Chartered Institute of Public Finance & Accountancy: United Kingdom	A	<p>A similar model was proposed by the UK Accounting Standards Board in its Exposure Draft “Statement Of Principles For Financial Reporting: Proposed Interpretation For Public Benefit Entities”. The executory contract model provides conceptual support for current approaches to short term liabilities, while not requiring recognition of liabilities in respect of certain long term commitments. The results of using the model are financial reporting outcomes which CIPFA considers sensible.</p> <p>Having said this, CIPFA’s current thinking on these matters is more directly framed in terms of legal and constructive obligations, having regard to the fact that it is difficult for elected tax funded governments to recognise very long term constructive obligations to their electorate/taxpayers.</p> <p>In CIPFA’s response to the ASB consultation we noted that many stakeholders found the executory contract approach to be counter-intuitive and some suggested that it was conceptually flawed. The related guidance on liability and expenditure recognition was also considered difficult to apply. While CIPFA did not identify any examples where the guidance gave rise to inconsistencies, we suggested that more work would be required if this approach was to be applied.</p> <p>CIPFA is therefore happy to support work in this area, but</p>

			would note the need to address stakeholder concerns as described above.
12.	Institute of Chartered Accountants of Scotland	C	
13.	Association of Chartered Certified Accountants	B	Does not believe that further exploration would be productive, given its potential difficulties in application in practice (for example, how would the ongoing duty of individuals or households be recognised to offset the commitments recognised as government commitments?).
14.	New Zealand Institute of Chartered Accountants	A	Strongly believes that the IPSASB should further explore the use of the executor accounting model.
15.	Contrôleur des Finances: Gouvernement du Québec	B	Concerning the alternative model proposed by the IPSASB, the consultation paper does not provide enough information for us to take a position on this matter. Based on our understanding of the alternative model, we see no difference between it and the definition of a liability according to the conceptual model. Our view is that, should you decide to further explore the proposed alternative model, you must be sure that it will satisfy the requirements of the conceptual model, in particular regarding the definition of a liability.
16.	Comité des Normes de Comptabilité Publique: France	A	Yes, we must further explore the accounting model of the executory contract. This includes the question of the status of elements provided under the long-term analysis of the sustainability of public finances (Management discussion and Analysis).
17.	Australian Accounting Standards Board	B	It is not clear to the AASB how an executory contract accounting model as discussed in paragraphs 56 to 59 of the Consultation Paper would work in practice. It appears that what is proposed is a restricted interpretation of liabilities, to those due and payable, enhanced by fiscal sustainability reporting. This is similar to the interim solution discussed in section 1.4 of this report. The AASB does not believe an executory contract accounting model is necessary to achieve such a result.
18.	Fédération des Experts Comptables Européens (FEE)	A	In our view it is worth exploring this model further. However, we would note that in response to consultations on similar approaches, for example in the United Kingdom, some stakeholders suggested that the executory contract model was counter-intuitive and that related guidance on liability and expenditure recognition was also considered difficult to apply. Any proposals for the use of this approach would need to be accompanied by very clear explanation.

19.	United Kingdom Accounting Standards Board	B	<p>Having proposed a similar approach in the Exposure Draft of the Interpretation, we have reservations about the executory contract model, particularly in terms of identifying exactly what it is that is being received in exchange for social benefits provided. This exchange, which is clearly more than the receipt of taxes, is very difficult to rationalise in terms of individuals not being poor (eg, through the provision of unemployment benefit) or being alive (eg through the provision of healthcare).</p> <p>We note the arguments put forward in the consultation paper in support of the executory contract model, in particular the argument that recognising liabilities at the point a legal entitlement arises is less ambiguous than identifying the point at which a constructive obligation arises. We would, however, advise caution in taking forward work on an executory contract approach, both because of the difficulties involved in identifying the exchange and the fact accounting is moving in a direction that focuses more on the substance of providing services rather than the legal form of contracts.</p>
20.	International Actuarial Association	C	
21.	New Zealand Treasury	C	
22.	Government Accountability Office (USA)	B	<p>Not at this time. As discussed in our responses to the preceding questions, we believe that there are sufficient and compelling reasons for recording a liability for social benefits only when all eligibility requirements are met and a legal obligation exists. In essence, the current financial statements should reflect liabilities for social benefits provided during the accounting period. On the other hand, long-term fiscal sustainability reporting should reflect long-term social benefit spending in the context of future receipts and the future spending for other programs.</p>
23.	Institut der Wirtschaftsprüfer (IDW): (Germany)	A	<p>We welcome the proposal to explore the potential of the “Executory Contract Accounting Model”. To our understanding of this model, social benefits were to be treated like onerous contracts. This approach would also satisfy the principle of fiscal sustainability and of “inter-generational equity”. Reporting of social benefits is an essential part of financial reporting in the public sector. All possibilities to satisfy the information needs of the users should be explored.</p>
24.	Financial Reporting Advisory Board (UK)	A	<p>The Board believes that further exploration of the executory accounting model could be potentially fruitful in that it may provide more useful information about social benefit programs and be subject to less ambiguity than the assets and liabilities approach.</p>