



Item 10: Non-Exchange Expenses (Grants, Contributions and Other Transfers)

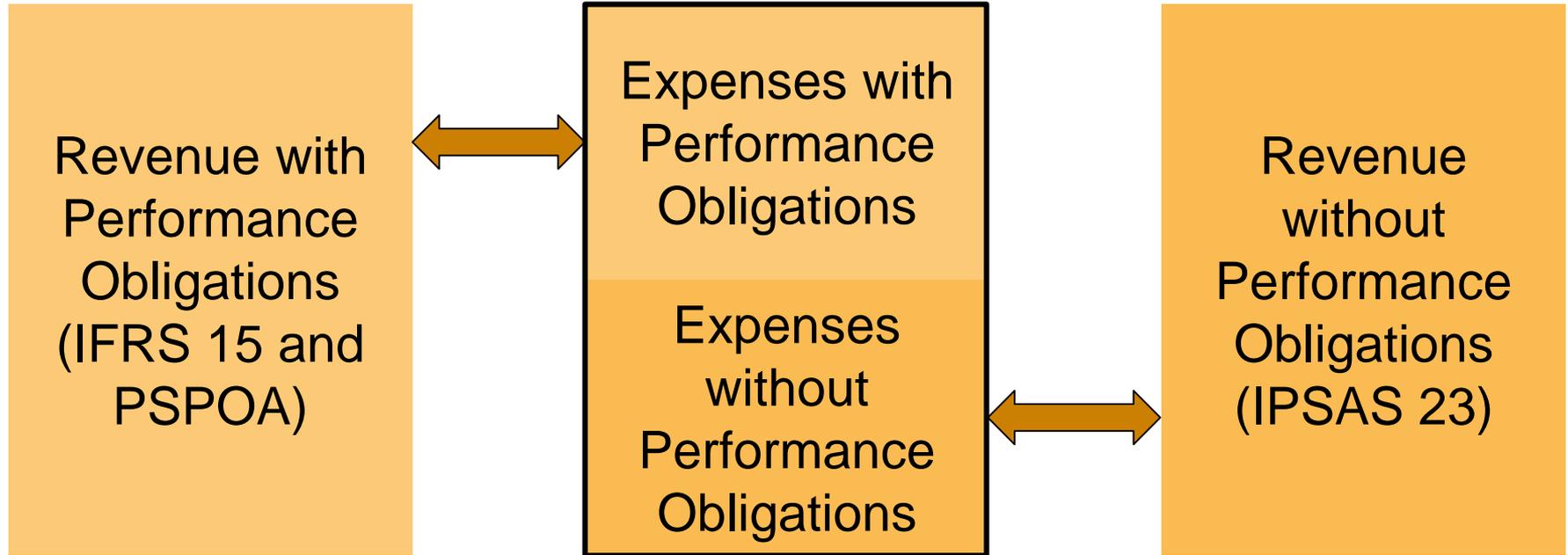
Paul Mason, Senior Advisor

IPSASB Meeting

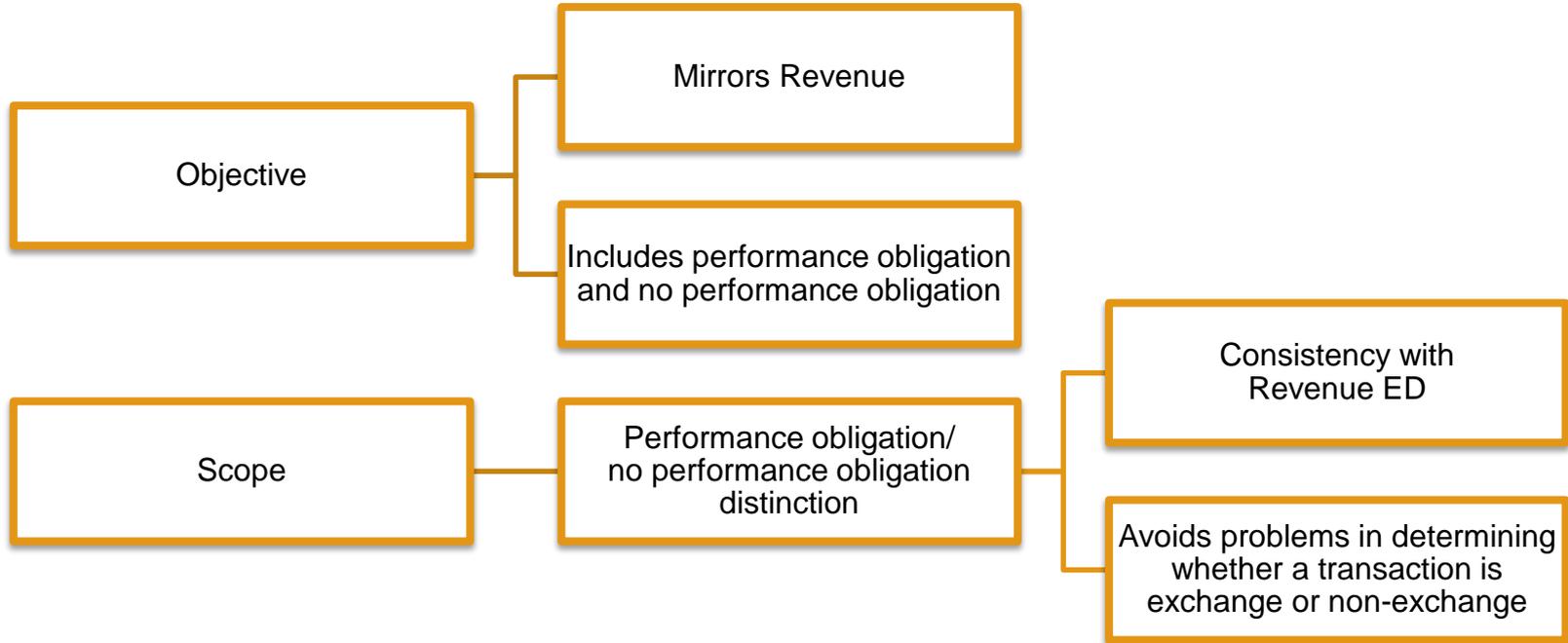
March 12–15, 2019

Washington D.C., USA

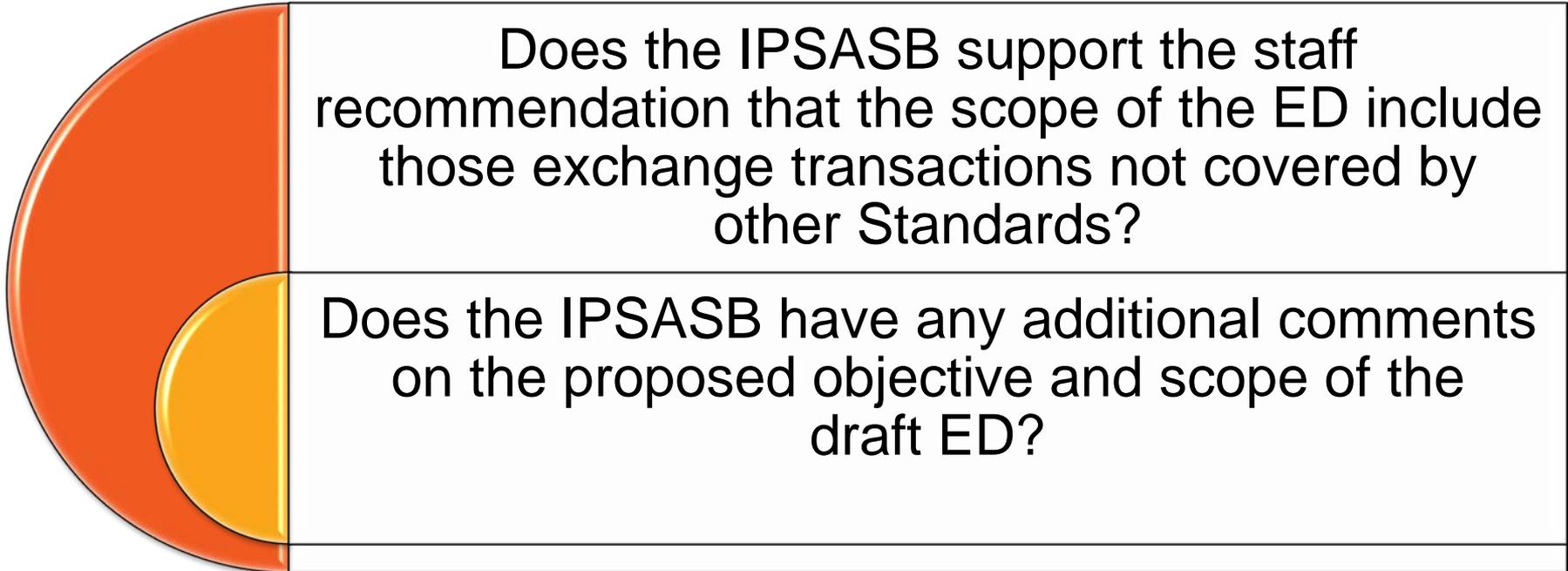
Introduction



Objective and Scope (1) (Agenda Item 10.2.1)



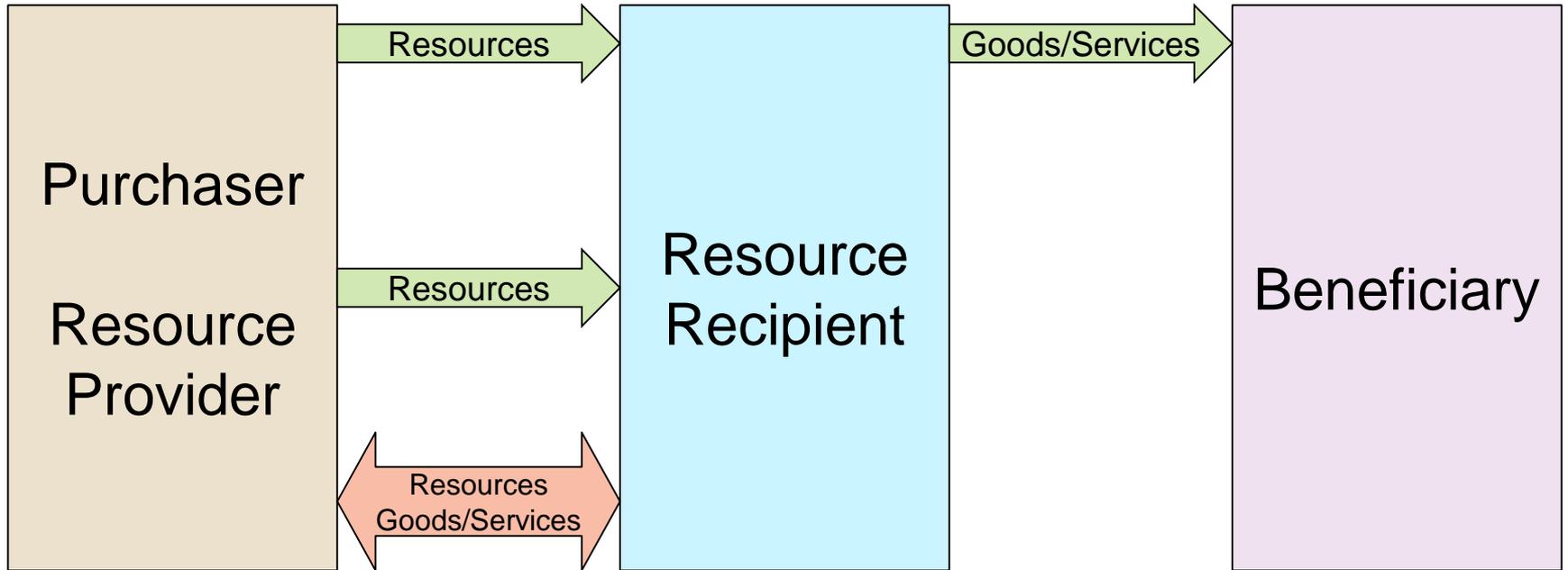
Objective and Scope (2) (Agenda Item 10.2.1)



Does the IPSASB support the staff recommendation that the scope of the ED include those exchange transactions not covered by other Standards?

Does the IPSASB have any additional comments on the proposed objective and scope of the draft ED?

Alternative Scope (1) (Agenda Item 10.2.1)



Alternative Scope (2) (Agenda Item 10.2.1)

An entity shall apply this [draft] Standard in accounting for grants and transfers (as defined in this [draft] Standard).

An entity shall apply this [draft] Standard in accounting for transfers of resources to a resource recipient where the resource recipient does not transfer goods or services to the entity in exchange for receiving those resources.

Definitions (1) (Agenda Item 10.2.2)

Expense is the gross outflow of economic benefits or service potential during the reporting period when those outflows result in a decrease in net assets/equity, other than decreases relating to distributions to owners.

Location in ED, IPSAS 1 or both, to mirror Revenue

Definitions (2) (Agenda Item 10.2.2)

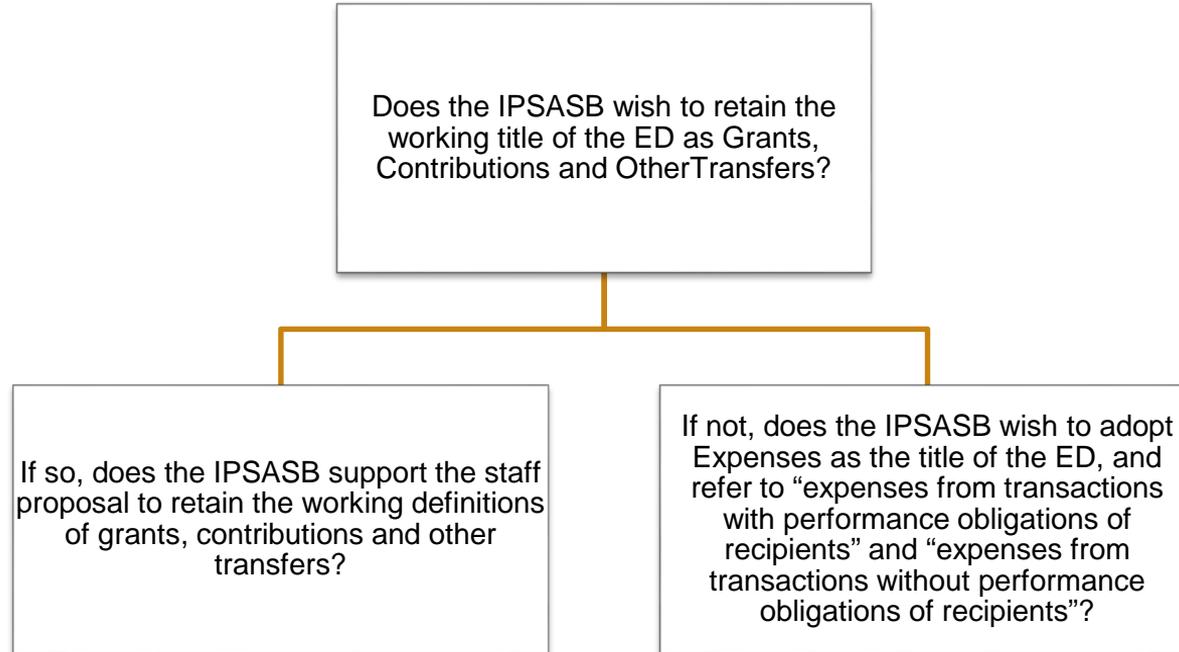
- For the purposes of this [draft] Standard, a **contribution** is transfer of resources under a binding arrangement, or part of a binding arrangement, whereby a purchaser provides consideration to a resource recipient in exchange for the resource recipient satisfying a performance obligation.
- For the purposes of this [draft] Standard, a **grant** is a transfer of resources by a resource provider to a beneficiary or resource recipient, and which is neither a contribution nor an other transfer.
- For the purposes of this [draft] Standard, an **other transfer** is a transfer of resources by a resource provider to a beneficiary or resource recipient, other than a contribution, and where both the resource provider and resource recipient are public sector entities that operate in the geographical area to which the transfer of resources relates.

Alternative Definitions (2) (Agenda Item 10.2.2)

For the purposes of this [draft] Standard, a **grant** is a transfer of resources by a purchaser to a resource recipient in exchange for the resource recipient transferring goods or services to a beneficiary.

For the purposes of this [draft] Standard, a **transfer** is a transfer of resources by a resource provider to resource recipient where the resource recipient is not required to transfer goods or services (whether to the resource provider or a beneficiary).

Definitions (3) (Agenda Item 10.2.2)

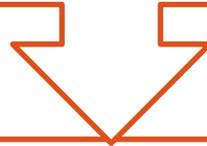


Alternative Definitions (3) (Agenda Item 10.2.2)

Does the IPSASB support the working title of the ED as Grants and Transfers?

Definitions (4) (Agenda Item 10.2.2)

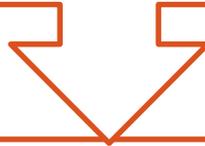
Contribution consideration (for a binding arrangement for a contribution) is the value of the resources that the purchaser expects to transfer to the resource recipient, in exchange for resource recipient transferring the promised goods or services, either to the purchaser or to a beneficiary.



Does the IPSASB support the staff proposal to include a definition of “contribution consideration” in the ED?
If not, what term does the IPSASB propose?

Alternative Definitions (4) (Agenda Item 10.2.2)

Contribution consideration (for a binding arrangement for a ~~contribution grant~~) is the value of the resources that the purchaser expects to transfer to the resource recipient, in exchange for resource recipient transferring the promised goods or services, ~~either to the purchaser or~~ to a beneficiary.



Does the IPSASB support the staff proposal to include a definition of “contribution consideration” in the ED?
If not, what term does the IPSASB propose?

Definitions (5) (Agenda Item 10.2.2)

For the purposes of this [draft] Standard, a **beneficiary** is a third party that receives cash, goods or services, either directly from a resource provider or, in a tripartite arrangement, from a resource recipient.

For the purpose of this [draft] Standard, a **resource provider** is an entity that provides resources through a grant or other transfer to a beneficiary or, in a tripartite arrangement, a resource recipient.

For the purpose of this [draft] Standard, a **resource recipient** is an entity that receives resources through a grant, contribution or other transfer and provides goods and/or services to either the purchaser or a beneficiary.

Does the IPSASB wish to include definitions of beneficiary, resource provider and resource recipient in the ED?

Alternative Definitions (5) (Agenda Item 10.2.2)

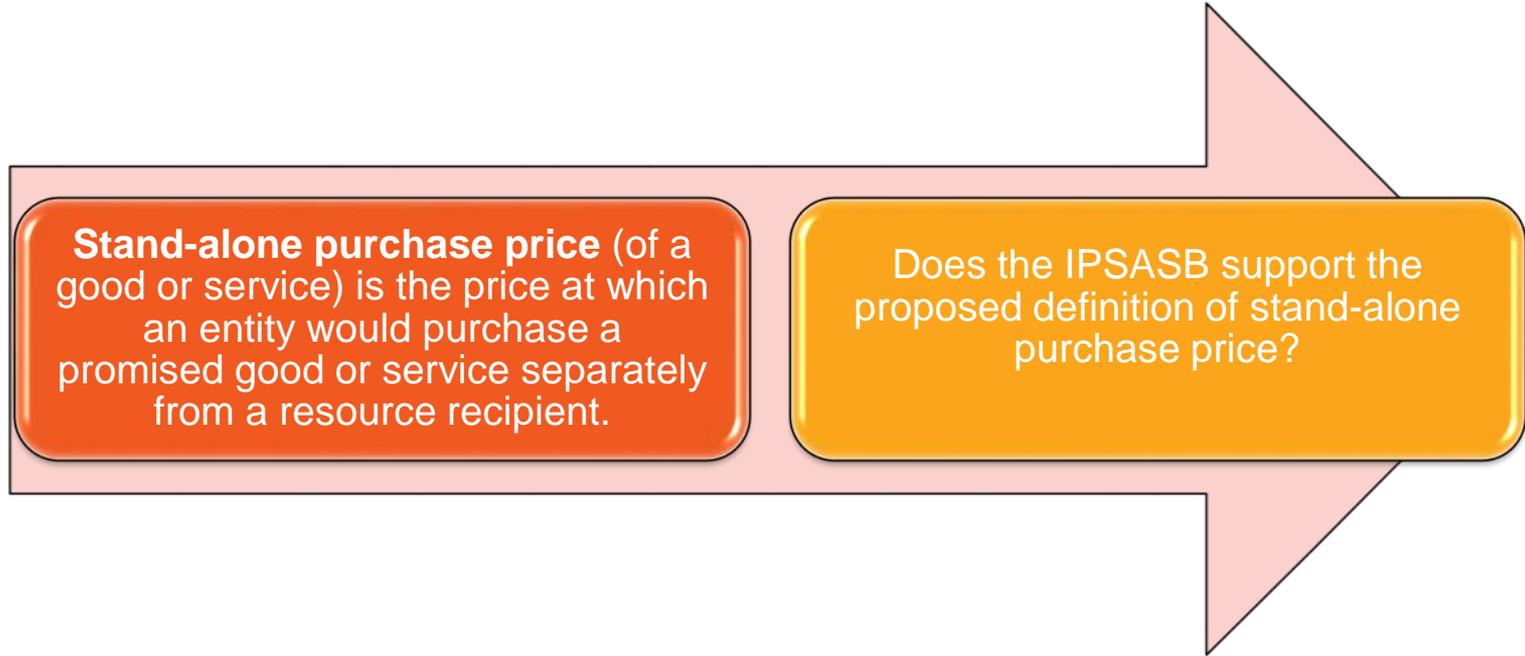
For the purposes of this [draft] Standard, a **beneficiary** is a third party that receives cash, goods or services, ~~either directly from a resource provider or,~~ in a tripartite arrangement, from a resource recipient.

~~For the purpose of this [draft] Standard, a **A resource provider** is an entity that provides resources through a grant or other transfer to a beneficiary or, in a tripartite arrangement, a resource recipient.~~

~~For the purpose of this [draft] Standard, a **A resource recipient** is an entity that receives resources through a grant, contribution or other transfer and provides goods and/or services to either the purchaser or a beneficiary.~~

Does the IPSASB wish to include definitions of beneficiary, resource provider and resource recipient in the ED?

Definitions (6) (Agenda Item 10.2.2)



Definitions (7) (Agenda Item 10.2.2)

For the purposes of this [draft] Standard, a **binding arrangement asset** is an entity's right to have goods or services transferred (either to the entity or to a beneficiary) in exchange for consideration. A binding arrangement asset includes a contract asset.

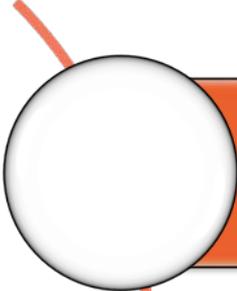
For the purposes of this [draft] Standard, a **binding arrangement liability** is an entity's obligation to pay consideration in exchange for goods or services that the resource recipient has transferred to the entity or a beneficiary when that obligation is conditioned on something other than the passage of time (for example, the resource recipient's future performance). A binding arrangement liability includes a contract liability.

Alternative Definitions (7) (Agenda Item 10.2.2)

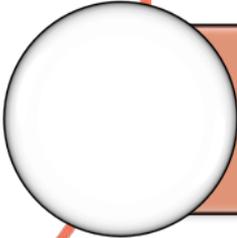
For the purposes of this [draft] Standard, a **binding arrangement asset** is an entity's right to have goods or services transferred (~~either to the entity or~~ to a beneficiary) in exchange for consideration. A binding arrangement asset includes a contract asset.

For the purposes of this [draft] Standard, a **binding arrangement liability** is an entity's obligation to pay consideration in exchange for goods or services that the resource recipient has transferred to ~~the entity or a~~ beneficiary when that obligation is conditioned on something other than the passage of time (for example, the resource recipient's future performance). A binding arrangement liability includes a contract liability.

Definitions (8) (Agenda Item 10.2.2)



Does the IPSASB support the inclusion of definitions of binding arrangement asset and binding arrangement liability in the ED? If not, what terms should be used?



Does the IPSASB support the staff proposal to reproduce relevant definitions from the Revenue ED in this ED, noting that the terms are defined in the Revenue ED?

Definitions (9) (Agenda Item 10.2.2)

- Does the IPSASB wish to retain the definition of purchaser included in the *Revenue* ED, or include a modified version in the *Expenses* ED?
- A purchaser is a party that acquires pays for goods or services that are an output of an entity under a binding arrangement, either for its own consumption or for transfer to a third-party beneficiary. A purchaser includes a customer.

Alternative Definitions (9) (Agenda Item 10.2.2)

- Does the IPSASB wish to retain the definition of purchaser included in the *Revenue* ED, or include a modified version in the *Expenses* ED?
- A purchaser is a party that acquires pays for goods or services that are an output of an entity under a binding arrangement to be transferred to a third-party beneficiary. A purchaser includes a customer.

Public Sector Performance Obligation Approach (1) (Agenda Item 10.2.3)

References to beneficiary in discussions of service potential and control

Input methods restricted

Expense not recognized until progress measurable

Refund liabilities, purchaser's credit risk, binding arrangement costs not included

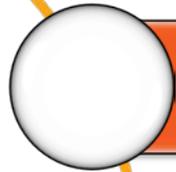
Non-cash consideration at carrying amount

Premium where price exceeds fair value of goods and services transferred

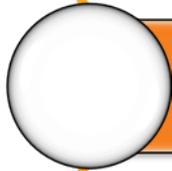
Stand-alone purchase price

Impairment in line with IPSAS 21 and IPSAS 26

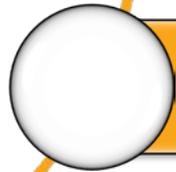
Public Sector Performance Obligation Approach (2) (Agenda Item 10.2.3)



Does the IPSASB support the staff proposals for recognizing expenses under the PSPOA?



Does the IPSASB support the staff proposals in respect of a premium?



Does the IPSASB have any further comments on the drafting of the PSPOA?

Recognition of Grants and Other Transfers (1) (Agenda Item 10.2.4)

An expense should be recognized at the earlier of the following dates:

- When the entity has a present obligation to transfer resources to a beneficiary or resource recipient. In such cases, the entity would recognize a liability representing its obligation to transfer the resources; and
- When the entity ceases to control the resources (which, in most cases, will be cash); this will usually be the date at which it transfers the resources to the beneficiary or resource recipient. In such cases, the entity would derecognize the resources it ceases to control.

Recognition of Grants and Other Transfers (2)

(Agenda Item 10.2.4)

Does the IPSASB support the staff proposals for recognizing expenses in respect of grants and other transfers?

Does the IPSASB consider that the ED should include a requirement for the entity to recognize an asset for a payment in advance where:

- Binding arrangement requires counterparty to undertake activities
- Counterparty has not performed the activities
- Entity has an enforceable right to the return of the resources in the case of non-performance

Does the IPSASB agree that where transfers involve a series of payments, an entity should assess whether a present obligation exists for each payment separately?

Measurement of Grants and Other Transfers (Agenda Item 10.2.4)



Where an entity recognizes an expense (and a liability) prior to transferring the resources, the expense is measured at the best estimate of the costs that the entity will incur in settling the liability

Where an entity recognizes an expense at the date it transfers the resources, the expense is measured at the carrying amount of the resources (which will usually be cash) transferred

Does the IPSASB support staff proposals for measuring expenses in respect of grants and other transfers?

Presentation (Agenda Item 10.2.5)

Does the IPSASB support the proposed requirements for the presentation or disclosure of expenses from grants, contributions and other transfers?

Does the IPSASB support the proposed requirements for the Public Sector Performance Obligation Approach?

Does the IPSASB support the enhanced disclosure requirements for grants and other transfers that are intended to be applied over more than the current reporting period; and if not, whether such grants and other transfers should be recognized in the statement of financial position on a straight-line basis?

Does the IPSASB support the other disclosure requirements for grants and other transfers?

Effective Date and Transition (Agenda Item 10.2.6)

The ISPASB is asked whether it supports the staff proposals for:

Harmonizing the effective date of this ED, the draft *Revenue* ED and an updated IPSAS 23

The transition arrangements for the Public Sector Performance Obligation Approach

The transition arrangements for grants and other transfers



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