

(NBAA)



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**THE NATIONAL BOARD OF ACCOUNTANTS AND AUDITORS**  
**TANZANIA**

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Date: 30<sup>th</sup> October, 2020

Chief Executive Officer,  
International Federation of Accountants,  
International Public Sector Accounting Standard Board,  
529 5th Avenue  
New York, New York 10017.

Dear Sir/Madam

**RE: COMMENTS ON EXPOSURE DRAFT 72 – TRANSFER EXPENSE**

Refer to the heading above.

NBAA as the PAO responsible for the professional training, development and regulation of the accountancy profession in Tanzania and as the member board of the International Federation of Accountants welcomes the opportunity to provide you with our comments on the Exposure Draft no. 72 – Transfer Expenses.

In principle, we are supportive with all of the proposals in ED 72, however, with the following issue entailed below additional help is expected to be brought about by the Board:

**Specific Matter for Comment 1:**

The scope of this [draft] Standard is limited to transfer expenses, as defined in paragraph 8. The rationale for this decision is set out in paragraphs BC4–BC15.

Do you agree that the scope of this [draft] Standard is clear? If not, what changes to the scope or definition of transfer expense would you make?

**Yes:** We do agree that the scope is clear.

**Specific Matter for Comment 2:**

Do you agree with the proposals in this [draft] Standard to distinguish between transfer expenses with performance obligations and transfer expenses without performance obligations, mirroring the distinction for revenue transactions proposed in ED 70, *Revenue with Performance Obligations*, and ED 71, *Revenue without Performance Obligations*?

If not, what distinction, if any, would you make?

**Yes:** We do agree with the proposals.

**Specific Matter for Comment 3:**

Do you agree with the proposal in this [draft] Standard that, unless a transfer provider monitors the satisfaction of the transfer recipient's performance obligations throughout the duration of the binding arrangement, the transaction should be accounted for as a transfer expense without performance obligations?

**Yes:** We do agree with the proposal.

**Specific Matter for Comment 4:**

This [draft] Standard proposes the following recognition and measurement requirements for transfer expenses with performance obligations:

- (a) A transfer provider should initially recognize an asset for the right to have a transfer recipient transfer goods and services to third-party beneficiaries; and
- (b) A transfer provider should subsequently recognize and measure the expense as the transfer recipient transfers goods and services to third-party beneficiaries, using the public sector performance obligation approach.

The rationale for this decision is set out in paragraphs BC16–BC34.

Do you agree with the recognition and measurement requirements for transfer expenses with performance obligations? If not, how would you recognize and measure transfer expenses with performance obligations?

**Yes:** We do agree but in part (b) the transfer provider should recognize expense as soon as transfer to transfer recipient is executed and not when the transfer recipient transfer the goods to third-party beneficiaries.

**Specific Matter for Comment 5:**

If you consider that there will be practical difficulties with applying the recognition and measurement requirements for transfer expenses with performance obligations, please provide details of any anticipated difficulties, and any suggestions you have for addressing these difficulties.

**Yes:** there will be practical difficulties with applying recognition criteria provided on the aspect that transfer provider would be facing difficulties in monitoring transfer recipients especial when there are many transfer recipients and determine when they have transferred the goods to third party-beneficiaries for them to recognize an expense.

We recommend for the expense to be recognized as soon as the transfer provider have transferred the expense to the transfer recipient.

**Specific Matter for Comment 6:**

This [draft] Standard proposes the following recognition and measurement requirements for transfer expenses without performance obligations:

- (a) A transfer provider should recognize transfer expenses without performance obligations at the earlier of the point at which the transfer provider has a present obligation to provide resources, or has lost control of those resources (this proposal is based on the IPSASB's view that any future benefits expected by the transfer provider as a result of the transaction do not meet the definition of an asset); and
- (b) A transfer provider should measure transfer expenses without performance obligations at the carrying amount of the resources given up?

Do you agree with the recognition and measurement requirements for transfer expenses without performance obligations?

If not, how would you recognize and measure transfer expenses without performance obligations?

**Yes:** We do agree with the proposal.

**Specific Matter for Comment 7:**

As explained in SMC 6, this [draft] Standard proposes that a transfer provider should recognize transfer expenses without performance obligations at the earlier of the point at which the transfer provider has a present obligation to provide resources, or has lost control of those resources. ED 71, *Revenue without Performance Obligations*, proposes that where a transfer recipient has present obligations that are not performance obligations, it should recognize revenue as it satisfies those present obligations. Consequently, a transfer provider may recognize an expense earlier than a transfer recipient recognizes revenue.

Do you agree that this lack of symmetry is appropriate? If not, why not?

**Yes:** We do agree the lack of symmetry is appropriate.

**Specific Matter for Comment 8:**

This [draft] Standard proposes that, when a binding arrangement is subject to appropriations, the transfer provider needs to consider whether it has a present obligation to transfer resources, and should therefore recognize a liability, prior to the appropriation being authorized. Do you agree with this proposal?

If not, why not? What alternative treatment would you propose?

**Yes:** We do agree with the proposal.

**Specific Matter for Comment 9:**

This [draft] Standard proposes disclosure requirements that mirror the requirements in ED 70, *Revenue with Performance Obligations*, and ED 71, *Revenue without Performance Obligations*, to the extent that these are appropriate.

Do you agree the disclosure requirements in this [draft] Standard are appropriate to provide users with sufficient, reliable and relevant information about transfer expenses? In particular,

(a) Do you think there are any additional disclosure requirements that should be included?

(b) Are any of the proposed disclosure requirements unnecessary?

**Yes:** We do agree that the disclosure requirements are appropriate.



Member of International Federation of Accountants (IFAC) & Pan African Federation of Accountants (PAFA)



*All communication to be addressed to the Executive Director NBAA*

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