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OUR REF: ICAG/TRD/ED 2020/Q3/03
YOUR REF:

28th October, 2020

The Technical Director
International Public Sector Accounting Standards Board (IPSASB)
New York

Dear Sir,

Comments on Exposure Draft (ED) 72: Transfer Expenses

We are grateful to the IPSASB for the opportunity given us to comment on the Exposure Draft (ED) 72; Transfer Expenses. We welcome the initiative of the IPSASB to come out with this Draft which stipulates how to measure, recognize and disclose revenues without performance obligations. The objective of this Exposure Draft is to propose improvements to the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about transfer expenses.

The Specific Matters for Comment requested for the Exposure Draft are provided below.

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?

The scope of the draft Standard is clear. Definitions of the terms are clearly stated, and distinguish between exchange transactions and non-exchange transactions. The Standard is clear in its scope and definitions and should be specifically applied to this Standard as against the general definitions given in the Financial Instruments. The Standard clearly addresses non-exchange expenses and which transactions would be within its scope and which transactions would be outside its scope.

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?

We agree with the proposal in this Standard to distinguish between transfer expenses with performance obligations and transfer expenses without performance obligations. The Standard clearly indicates the distinction between revenue transactions proposed in ED 70, Revenue with Performance Obligations, and ED 71, Revenue without Performance Obligations.

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?

We agreed to the proposal 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 without performance obligations. If there is activity indicating the performance of the obligations, then the transfer provider should treat the transfer as assets if it meets asset recognition criteria.

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?

We agree that a transfer provider should initially recognize as asset for the right to have a transfer recipient transfer goods and services to third party beneficiaries and 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 (PSPOA). The approach is consistent with the IPSASB's Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities; (b) The approach is consistent with other IPSAS; and (c) The approach resolves the problem of determining whether a transaction is an exchange transaction or a non-exchange transaction by using a different basis in determining the accounting policy to be followed.

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.

We do not anticipate any practical challenges in applying the recognition and measurement requirements for transfer expenses with performance obligations. We suggest that illustrative

samples of measurement and recognition of transfer expenses be given to clarify how it should be treated.

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?

We do agree with the recognition and measurement requirements for transfer expenses without performance obligations.

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?

This is appropriate because the transfer provider and the transfer recipient are looking at the same transfer expenses without performance obligations from two different perspectives. Whilst the transfer provider recognizes the transaction only when he loses control or at the earlier point at which the transfer provider has a present obligation to provide the resources, the transfer recipient recognizes the transaction when he performs the obligations attached to the transfer. We do agree that this 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 agree to the proposal 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. This is in conformance with the public sector performance obligation approach and is consistent with

the IPSASB's Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

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,

Do you think there are any additional disclosure requirements that should be included? (b) Are any of the proposed disclosure requirements unnecessary?

We do agree that, the disclosure requirements in this [draft] Standard are appropriate to provide users with sufficient, reliable and relevant information about transfer expenses. The disclosure requirements mirror the disclosure requirements of related Standards – ED 70 and ED 71. This is appropriate because transfer expenses from the transfer provider to the transfer recipient could either be with performance obligations or without performance obligations, so the disclosures must invariably be similar.

We hope the IPSASB finds these comments helpful in further developing its consultations on exposure draft on Transfer Expenses. In turn, we are committed to helping the IPSASB in whatever way possible to build upon the results of this Exposure Draft. We look forward to strengthening the dialogue between us. Please do not hesitate to contact us should you wish to discuss any matters raised in this submission.

Yours Sincerely,



OSEI KWAKU ADJAYE-GYAMFI

DIRECTOR, TECHNICAL AND RESEARCH